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

ANNUAL REPORT 2019

CONTENTS

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

Mr. Chen Xingang
Mr. Yang Zhaoxu
Mr. Chan Kwok King, Kingsley

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. Lam Wai Yan

AUTHORISED REPRESENTATIVES

Mr. Leung King Sun
Ms. Lam Wai Yan

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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

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AUDITOR

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Central
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10 Chater Road
Central
Hong Kong

COMPLIANCE ADVISER

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

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		
	2019	2018	**Change**
	RMB'000	*RMB'000*	*%*
Revenue	**2,332,740**	413,635	464.0%
Gross Profit	**442,878**	116,671	279.6%
Profit for the year	**254,819**	99,508	156.1%
Profit attributable to owners of the parent	**275,001**	103,440	165.9%
Adjusted profit for the year *(Note 1)*	**259,282**	112,042	131.4%
Adjusted profit attributable to owners of the parent *(Note 1)*	**279,464**	115,974	141.0%
Earnings per share			
Basic (RMB cents)	**24.25**	16.75	44.8%
Diluted (RMB cents)	**21.48**	16.75	28.2%
Adjusted earnings per share			
Basic (RMB cents)	**24.65**	18.78	31.3%
Diluted (RMB cents)	**21.88**	18.78	16.5%

For the year ended 31 December 2019, IVD Medical Holding Limited (the "Company", together with its subsidiaries, the "Group") kept its rapid growth trend and successfully achieved a revenue of RMB2,332,740 thousand, which represented a significant increase of 464.0% as compared to the year ended 31 December 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Medical Limited ("Vastec") together with its subsidiaries ("Vastec Group") after the completion of the Company's acquisition of 60% shareholding interest in Vastec in January 2019 (the "Acquisition"), details of which as set out in the prospectus of the Company dated 29 June 2019 (the "Prospectus").

Profit of the Group for the year ended 31 December 2019 also achieved a significant increase of 156.1% as compared to the year ended 31 December 2018. Such significant increase was primarily due to (i) the consolidation of the financial results of Vastec Group after the completion of the Acquisition, and (ii) a one-off, non-operating gain on remeasurement of pre-existing interest in Vastec relating to the Acquisition. Factor (ii) above was offset by (a) a one-off, non-operating fair value loss on financial liabilities at fair value through profit or loss which was triggered by the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in July 2019 (the "Listing") and (b) one-off expenses on realisation of inventory fair value adjustment relating to the Acquisition. In addition, the results of Vastec Group were consolidated into the results of the Group since the completion of the Acquisition whereas the Group only shared 40% of the results of Vastec Group prior to the completion of the Acquisition. As such, the growth rate of profit attributable to owners of the parent of the Group is lower than that of revenue.

Note 1: Adjusted profit for the year and adjusted profit attributable to owners of the parent are calculated by profit for the year and profit attributable to owners of the parent deducting gain on remeasurement of pre-existing interest in Vastec, excluding fair value loss on financial liabilities at fair value through profit or loss, expenses on realisation of inventory fair value adjustment, amortisation of intangible assets and depreciation of property, plant and equipment relating to the Acquisition, initial public offering expenses and expenses in relation to share options.

DEAR SHAREHOLDERS,

On behalf of the board of directors (the "Board") of the Group, I am pleased to present to you the first annual report of the Company for the year ended 31 December 2019.

REVIEW

It was a historical and successful year for the Company in 2019. During 2019, the Group recorded a revenue of RMB2,332,740 thousand, representing a significant increase of 464.0% as compared to the corresponding period of 2018. Such a significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition. The Group's profit for the year increased significantly by 156.1% to RMB254,819 thousand.

- Key Milestones of 2019

  The Group acquired 60% shareholding interest in Vastec in January 2019. Vastec was an associated company of the Company and its subsidiaries before the Acquisition (the "Original Group"), and was under the same core management team including the founders of the Group. After the Acquisition, Vastec became a wholly-owned subsidiary of the Company. Completion of the Acquisition has further integrated the distribution value chain, diversified the product portfolio and created new sales opportunities.

  The shares of the Company (the "Shares") were successfully listed on the Stock Exchange on 12 July 2019 (the "Listing Date"). The Company was the first In Vitro Diagnostic ("IVD") company listed the on Stock Exchange by way of initial public offering. It not only marked an important milestone in the development of the Group's business, but also enhanced the brand recognition of "IVD Medical" and laid a solid foundation for the Group's future development.

  The Shares have been included in the MSCI China All Shares Small Cap Index, with effect after market close on 26 November 2019, in recognition of the Company's performance and value. It is expected to expand the shareholder base and increase the trading liquidity of the Shares, resulting in realisation of the value of investment in the Company and enhancement of the Company's reputation across capital markets.

- Core Business Data

Distribution Business and Maintenance Service

The distribution of IVD products forms the cornerstone of the Group's business. As of 31 December 2019, approximately 7,186 haemostasis analysers manufactured by Sysmex Corporation ("Sysmex") have been installed by the Group and used at hospitals and healthcare institutions in the People's Republic of China (the "PRC") accumulatively. In the year of 2019, the Group's product portfolio was expanded by Vastec's provision of 4 Thrombotic Markers[1] to the market. As of 31 December 2019, approximately 64 Sysmex' haemostasis immunoassay analysers installed by the Group at the hospitals and healthcare institutions in the PRC started to perform the 4 Thrombotic Markers.

In 2018, Dacheng Medical Equipments (Shanghai) Co., Ltd. ("Dacheng") provided solution services to two Class III hospitals in the PRC (located in Shanghai and Shanxi). In 2019, Dacheng actively expanded its business by providing solution services to three new hospitals (located in Shanghai and Shandong) and has successfully recognised revenue. Solution services generated a revenue of RMB132,798 thousand for the year ended 31 December 2019, representing an increase of 22.2% compared to RMB108,705 thousand for the year ended 31 December 2018.

As of 31 December 2019, the Group had 265 direct customers, including hospitals and healthcare institutions, and 903 distributors in its established distribution network. As of 31 December 2019, the Group also covered 1,315 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 derives its revenue from providing maintenance services to end customers of Sysmex' haemostasis analysers in the PRC. During the year ended 31 December 2019, the maintenance services generated a revenue of RMB143,328 thousand for 2019, representing an increase of 100.0% as compared to nil for 2018.

Note 1: 4 Thrombotic Markers: 1) TAT: Thrombin-antithrombin complex 凝血酶-抗凝血酶複合物, 2) PIC: Plasmin-α2-plasmin inhibitor complex 纖溶酶-α2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

Self-branded Products Business under Brand Name "IVD"

During the year ended 31 December 2019, the Group's operating subsidiary Suzhou DiagVita Biotechnology Co., Ltd. has completed registration for one of its self-branded products, which is required before the product can be put into market. The factory re-setting and upgrading of self-branded IVD analysers was completed in 2019 and the manufacturing and sales of such IVD analysers re-commenced in 2019.

OUTLOOK AND FUTURE PLAN

The Group expects there will be a 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, PRC IVD market at ex-factory price level is projected to reach RMB173.0 billion in 2023 with a compound annual growth rate ("CAGR") of 19.4% during 2018 to 2023. Import substitution and localisation is a significant trend in IVD market, which will bring great opportunities to local manufacturers.

To meet the aforementioned trend, the Group will continue the growth and expansion of its operations in the PRC through the following business plans:

- 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. In December 2019, the Group launched the "IVD Ecosphere" project under which the Group established strategic partnerships with leading IVD manufacturers under proprietary technology. The involvement of the Group with these manufacturers will help them expand their sales network by using the Group's self-established nationwide network, which is normally the competitive weakness of local manufacturers. Also, the Group target to double the revenue of Sysmex' 4 Thrombotic Markers in 2020 as compared to 2019. In addition, the Group will be dedicated to increasing sales of provinces whose market shares were under the average ratio of the whole country.

- Launch new haemostasis platforms to strengthen the Group's market leader position

  In 2020, the Group will actively conduct sales promotions with the aid of Sysmex coagulation island transportation systems. This will place the Company at a strong position to meet current and future customer demands, creating a competitive advantage over its competitors.

The Group will also launch the next generation Sysmex coagulation platform, the CN series, in 2020. The state-of-the-art CN coagulation platform is equipped with higher productivity and analytical ability. This platform is expected to further enhance the Group's market advantages and expand its market share in the haemostasis market sector.

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

  In order to capture the aforementioned trends and opportunities, the Group intends to provide solution services to at least two new hospitals in 2020.

- Further improve research and development ("R&D") capabilities of the Group and accelerate the expansion by both endogenous growth and merger and acquisition

  The Group has began its R&D business since 2010 with approximately 10 years' experience up to now. In 2020, the Group intends to invest more resources to further improve its R&D capabilities by acquiring equipment, instruments and hiring experts in the relevant fields.

  In addition to endogenous growth in R&D, from 2020, the Group will invest in high technique manufacturers or research centers with innovation ability that can meet various demands of patients.

DIVIDEND

In view of the satisfactory operating results in 2019, the Board recommends a final dividend in a total amount of RMB64,996 thousand or HK5.366 cents per Share for the year of 2019 as a return to the supports of the shareholders of the Company (the "Shareholders").

APPRECIATION

I, hereby, 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, 27 March 2020

BUSINESS OVERVIEW

The Group is a leading distributor of IVD products in the PRC. In 2018, Vastec, which became a wholly-owned subsidiary of the Group after the Acquisition, was the fourth largest tier 1 IVD distributor in the PRC. Prior to the Acquisition, the Original Group was the third largest distributor in the IVD market in Shanghai. The Group has also engaged in the research, development, manufacturing and sales of its self-branded IVD products under the brand name "IVD". 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.

The Shares were successfully listed on the Stock Exchange on 12 July 2019. It not only marked an important milestone in the development of the Group's business, but also enhanced the brand recognition of "IVD Medical" and laid a solid foundation for the Group's future development.

During the year ended 31 December 2019, the Group recorded a revenue of RMB2,332,740 thousand, representing a significant increase of 464.0% as compared to the corresponding period of 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition. The Group's profit for the year increased significantly by 156.1% to RMB254,819 thousand.

ACQUISITION OF VASTEC

The Group acquired 60% shareholding interest in Vastec in January 2019. Vastec was an associated company of the Original Group before the Acquisition, and was under the same core management team including the founders of the Group. After the Acquisition, Vastec became a wholly-owned subsidiary of the Company. Completion of the Acquisition has further integrated the distribution value chain, diversified the product portfolio and created new sales opportunities.

Vastec was the fourth largest tier 1 IVD distributor in the PRC and primarily engaged in the distribution of Sysmex' haemostasis and immunoassay products in the PRC. It has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997 consecutively for the past 22 years. According to Frost & Sullivan, Sysmex' haemostasis products had a market share of approximately 43.9% by revenue in 2018 in the PRC, representing the largest market share in the haemostasis products market in the PRC.

On 1 April 2019, Vastec and Sysmex entered into a new distribution agreement which extended the term until 2022. This newly signed agreement will further stabilise the relationship between Vastec and Sysmex.

MANAGEMENT DISCUSSION AND ANALYSIS

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. Prior to the Acquisition, the Group's distribution of IVD products was primarily conducted through Dacheng, a wholly-owned subsidiary of the Company, which procures its IVD products mainly from tier 1 distributors or directly from IVD products manufacturers and distributes the IVD products to customers such as hospitals and healthcare institutions, logistics providers and distributors in Shanghai.

  After Vastec became the Company's wholly-owned subsidiary, the revenue from distribution of IVD products through Vastec was consolidated into the Group. It has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997 and also procures a diversified portfolio of IVD products from other leading international brands and distributes them in the PRC. As of 31 December 2019, approximately 7,186 of Sysmex' haemostasis analysers have been installed by the Group and used at hospitals and healthcare institutions accumulatively.

  In the year of 2019, the Group's product portfolio was expanded by Vastec's provision of 4 Thrombotic Markers to the market. The 4 Thrombotic Markers are new products manufactured by Sysmex. These new products adopt high sensitive chemiluminesence technology, which may facilitate early diagnosis of thrombosis and fibrinolysis. As of 31 December 2019, approximately 64 Sysmex' haemostasis immunoassay analysers installed by the Group at the hospitals and healthcare institutions started to perform the 4 Thrombotic Markers.

  In addition, the Group provides solution services to the clinical laboratories of hospitals through Dacheng. 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 2018, Dacheng provided solution services to two Class III hospitals in the PRC (located in Shanghai and Shanxi, respectively). In 2019, Dacheng actively expanded its business by providing solution services to three new hospitals (located in Shanghai and Shandong) and has successfully recognised revenue. Solution services generated a revenue of RMB132,798 thousand for the year ended 31 December 2019, representing an increase of 22.2% compared to RMB108,705 thousand for the year ended 31 December 2018.

Through years of operations, the Group has established an expansive distribution network across 29 provinces, municipalities and autonomous regions in the PRC with an extensive hospital coverage. As of 31 December 2019, the Group had 265 direct customers, including hospitals and healthcare institutions, and 903 distributors in its established distribution network. As of 31 December 2019, the Group also covered 1,315 Class III hospitals mainly through its sub-distribution networks in the PRC, which further enhanced the competitiveness of the Group.

- Maintenance Services

Apart from distributing IVD products in the PRC, the Group also derives its revenue from providing maintenance services to end customers of Sysmex' haemostasis analysers in the PRC. In 2017, Vastec entered into a maintenance services agreement with Sysmex to provide maintenance services to haemostasis analysers procured by its end customers. The maintenance services provided by Vastec generally include maintenance and repair services, installation services and end customer trainings. Vastec primarily provides its maintenance services to hospitals and healthcare institutions. During the year ended 31 December 2019, the maintenance services business has been sustainably and steadily developing.

- Self-branded Products Business under Brand Name "IVD"

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 the Group's operating subsidiary Suzhou DiagVita Biotechnology Co., Ltd. and the Group's IVD analysers were produced by the Group's original equipment manufacturer. The Group distributes its self-developed IVD products under its own brand which includes IVD analysers and reagents primarily under the IVD testing category of Point-of-care testing ("POCT").

During the two years ended 31 December 2017 and 2018, the factory of the Group undertook re-setting, adjustment and calibration of self-branded IVD analysers, in order to adapt the self-branded IVD analysers originally designed for use in the outpatient department to the emergency department in hospitals. Such re-setting and upgrading of self-branded IVD analysers of the Group could improve users' satisfaction and would have positive effects on self-branded business of the Group in the long run. The manufacturing and sales of such IVD analysers re-commenced in 2019 upon completion of the re-setting process.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

The following table sets forth selected items of the consolidated statement of profit or loss of the Group for the years indicated:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**2,332,740**	413,635
Cost of sales	**(1,889,862)**	(296,964)
Gross profit	**442,878**	116,671
Other income and gains	**28,355**	5,946
Gain on remeasurement of pre-existing interest in an associate	**208,759**	–
Selling and distribution expenses	**(96,620)**	(11,631)
Administrative expenses	**(124,676)**	(54,696)
Other expenses	**(114,570)**	(328)
Finance costs	**(7,784)**	–
Initial public offering related expenses	**(41,490)**	(12,534)
Share of profits of associates	**2,379**	76,529
Impairment loss of trade receivables	**(291)**	(2,335)
Profit before tax	**296,940**	117,622
Income tax expense	**(42,121)**	(18,114)
Profit for the year	**254,819**	99,508

INDUSTRY OVERVIEW

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

According to Frost & Sullivan, by 2023, PRC IVD market at ex-factory price level is projected to reach RMB173.0 billion with a CAGR of 19.4% during 2018 to 2023. In the future, IVD market is expected to grow with the aggravating trend of ageing population, the growth of medical expenses per capita and the progress of technology development.

PRC IVD market can be divided into six major segments based on the testing principles: haematology and body fluid, clinical chemistry, immunoassay, molecular, microbiology and POCT. Immunoassay, clinical chemistry and haematology and body fluid analysis are the top three categories with the broadest clinical application. According to Frost & Sullivan, immunoassay, clinical chemistry and haematology and body fluid test in aggregate accounted for approximately 65.4% of the market share in the PRC IVD market. Haematology and body fluid test includes haemostasis analysis and urinalysis, which ranked third in PRC IVD market by revenue in 2018, representing a market share of approximately 14.7%.

Haemostasis analysis IVD market in the PRC at ex-factory price level reached RMB3.7 billion in 2018, and the market is highly concentrated. Top 3 market players dominate the market with a cumulative market share of 85.1%. Sysmex is the market leader by sales revenue, with a total market share of 43.9% of in 2018.

Sales revenue of haemostasis analysis IVD products generated by tier 1 distributors in the PRC reached RMB4.3 billion in 2018. By 2023, PRC tier 1 distributed haemostasis analysis IVD market is projected to reach RMB10.2 billion in terms of sales revenue with a CAGR of 18.8% during 2018 to 2023.

BUSINESS OUTLOOK AND DEVELOPMENT STRATEGIES

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

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

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

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

The Group has been providing solution services to hospitals in the PRC since 2013. By being the general supplier of the clinical laboratory department in such hospitals, the Group participates in the design of laboratory layout, provides centralised procurement of IVD products, conducts real-time inventory monitoring and provides other after-sale services to clinical laboratories. Through years of operations, the Group has accumulated a wealth of operational experience and a diversified product portfolio, thus being able to promote the same to other hospitals and healthcare institutions. In order to capture the aforementioned trends and opportunities, the Group intends to provide solution services to two new hospitals in 2020. 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 from 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 R&D capabilities of the Group and accelerate the expansion of self-branded products customer base

Strong R&D capabilities are critical to securing future development and sustainable growth of the Group. The Group intends to invest more resources to further improve its R&D 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 is able to penetrate the mid to low-end market and to establish a broader customer base consisting of medical institutions in second or third-tier cities or those at grassroots level.

FINANCIAL REVIEW

OVERVIEW

The financial summary set out below is extracted or calculated from the audited financial statements of the Group for the year ended 31 December 2019 which were prepared in accordance with International Accounting Standard.

During the year ended 31 December 2019, the Group recorded a revenue of RMB2,332,740 thousand, representing an increase of RMB1,919,105 thousand or 464.0% as compared to the corresponding period of 2018.

During the year ended 31 December 2019, the Group recorded a net profit for the period of RMB254,819 thousand, representing an increase of RMB155,311 thousand or 156.1% as compared to the corresponding period of 2018. Profit attributable to owners of the parent amounted to RMB275,001 thousand, representing an increase of RMB175,561 thousand or 165.9% as compared to the corresponding period of 2018.

During the year ended 31 December 2019, the Group recorded an adjusted profit for the year of RMB259,282 thousand, representing an increase of RMB147,240 thousand or 131.4% as compared to the corresponding period of 2018.

	For the year ended 31 December		
	2019	2018	**Change**
	RMB'000	*RMB'000*	*%*
Operating Results			
Revenue	**2,332,740**	413,635	464.0%
Gross Profit	**442,878**	116,671	279.6%
Earnings before interest and depreciation and amortization (EBITDA)	**354,161**	135,368	161.6%
Profit attributable to owners of the parent	**275,001**	103,440	165.9%
Adjusted profit for the year *(Note 1)*	**259,282**	112,042	131.4%
Adjusted profit attributable to owners of the parent *(Note 1)*	**279,464**	115,974	141.0%

	For the year ended 31 December		
	2019	2018	**Change**
Financial Ratios			
Gross profit margin (%) *(Note 2)*	**19.0%**	28.2%	decreased by 9.2 percentage point
Net profit margin (%) *(Note 2)*	**10.9%**	24.1%	decreased by 13.2 percentage point
Adjusted profit for the year margin (%) *(Note 2)*	**11.1%**	27.1%	decreased by 16.0 percentage point
Return on assets (%) *(Note 2)*	**10.4%**	10.1%	increased by 0.3 percentage point
Return on equity (%) *(Note 2)*	**14.6%**	11.6%	increased by 3.0 percentage point
Average turnover days of trade receivables (days) *(Note 2)*	**43**	129	(86)
Average turnover days of inventory (days) *(Note 2)*	**65**	61	4
Average turnover days of trade payables (days) *(Note 2)*	**36**	48	(12)

	31 December		
	2019	2018	**Change**
	RMB'000	*RMB'000*	*%*
Financial Position			
Total assets	**3,870,260**	1,040,040	272.1%
Equity attributable to owners of the parent	**2,818,666**	948,478	197.2%
Cash and cash equivalents	**910,871**	115,364	689.6%
Financial Ratios			
Current ratio (times) *(Note 2)*	**2.5**	5.3	(2.8)
Quick ratio (times) *(Note 2)*	**1.8**	4.5	(2.7)
Debt to equity ratio (times) *(Note 2)*	**0.1**	–	0.1

Note 1: Adjusted profit for the year and adjusted profit attributable to owners of the parent are calculated by profit for the year and profit attributable to owners of the parent deducting gain on remeasurement of pre-existing interest in Vastec, excluding fair value loss on financial liabilities at fair value through profit or loss, expenses on realisation of inventory fair value adjustment, amortisation of intangible assets and depreciation of property, plant and equipment relating to the Acquisition, initial public offering expenses and expenses in relation to share options.

Note 2: The calculation method is the same as that set out in the Prospectus.

The following discussions are on the basis of the financial information and its notes as set out in other sections in this annual report and shall be reviewed together with such financial information and its notes.

REVENUE

Revenue of the Group amounted to RMB2,332,740 thousand for the year ended 31 December 2019, representing an increase of 464.0% as compared to RMB413,635 thousand for the year ended 31 December 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

Revenue by business segment

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

	For the year ended 31 December				
Business Segment	**2019**		2018		**Change**
	RMB'000	***%***	*RMB'000*	*%*	
Distribution business	**2,185,625**	**93.7**	408,440	98.7	435.1%
Maintenance services	**143,328**	**6.1**	–	–	100.0%
Self-branded products business	**3,787**	**0.2**	5,195	1.3	(27.1%)
Total	**2,332,740**	**100.0**	413,635	100.0	464.0%

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:

	For the year ended 31 December				
Product type	**2019**		2018		**Change**
	RMB'000	***%***	*RMB'000*	*%*	
IVD analysers					
– Distribution business	**370,105**	**16.9**	41,457	10.0	792.7%
– Self-branded products business	**27**	**0.0**	–	–	100.0%
Subtotal	**370,132**	**16.9**	41,457	10.0	792.8%
IVD reagents and other consumables					
– Distribution business	**1,815,520**	**82.9**	366,983	88.7	394.7%
– Self-branded products business	**3,760**	**0.2**	5,195	1.3	(27.6%)
Subtotal	**1,819,280**	**83.1**	372,178	90.0	388.8%
Total	**2,189,412**	**100.0**	413,635	100.0	429.3%

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				
	2019		2018		**Change**
	RMB'000	**%**	*RMB'000*	*%*	
Distribution business					
– Distributors	**1,822,062**	**83.2**	121,714	29.4	1,397.0%
– Hospitals and healthcare institutions	**264,348**	**12.1**	202,714	49.0	30.4%
– Logistics providers	**99,215**	**4.5**	84,012	20.3	18.1%
Subtotal	**2,185,625**	**99.8**	408,440	98.7	435.1%
Self-branded products business					
– Distributors	**3,787**	**0.2**	5,195	1.3	(27.1%)
– Hospitals and healthcare institutions	**–**	**–**	–	–	–
– Logistics providers	**–**	**–**	–	–	–
Subtotal	**3,787**	**0.2**	5,195	1.3	(27.1%)
Total	**2,189,412**	**100.0**	413,635	100.0	429.3%

COST OF SALES

Cost of sales of the Group amounted to RMB1,889,862 thousand for the year ended 31 December 2019, representing an increase of 536.4% as compared to RMB296,964 thousand for the year ended 31 December 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

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 **2019** ***RMB'000***	**%**	2018 *RMB'000*	*%*	**Change**
Distribution business *(Note 1)*	**1,830,173**	**96.8**	295,929	99.7	518.5%
Maintenance services	**58,036**	**3.1**	–	0.0	100.0%
Self-branded products business	**1,653**	**0.1**	1,035	0.3	59.7%
Total	**1,889,862**	**100.0**	296,964	100.0	536.4%

Note 1: Fair value adjustment on inventory and intangible assets amortisation, relating to the Acquisition and amounting to RMB93,387 thousand, was fully charged and amortised into cost of sales of distribution business in 2019.

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 **2019** ***RMB'000***	**%**	2018 *RMB'000*	*%*	**Change**
IVD analysers					
– Distribution business	**329,431**	**18.0**	35,203	11.9	835.8%
– Self-branded products business	**24**	**0.0**	–	0.0	100.0%
Subtotal	**329,455**	**18.0**	35,203	11.9	835.9%
IVD reagents and other consumables					
– Distribution business	**1,500,742**	**81.9**	260,726	87.8	475.6%
– Self-branded products business	**1,629**	**0.1**	1,035	0.3	57.4%
Subtotal	**1,502,371**	**82.0**	261,761	88.1	473.9%
Total	**1,831,826**	**100.0**	296,964	100.0	516.9%

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit represents revenue less cost of sales. Gross profit of the Group amounted to RMB442,878 thousand for the year ended 31 December 2019, representing an increase of 279.6% as compared to RMB116,671 thousand for the year ended 31 December 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

Gross profit margin is calculated as gross profit divided by revenue. Gross profit margin of the Group was 19.0% for the year ended 31 December 2019, down from 28.2% for the year ended 31 December 2018, which was primarily owing to (i) the consolidation of the financial results of Vastec Group after the completion of the Acquisition; and (ii) gross profit margin of Vastec which was lower than that of the Original Group. Excluding expenses on realisation of inventory fair value adjustment and amortisation of intangible assets relating to the Acquisition, gross profit margin of the Group would increase to 23.0% for the year ended 31 December 2019.

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:

	For the year ended 31 December				
Business Segment	**2019**		2018		**Change**
	Gross profit *RMB'000*	**Gross profit margin** *%*	Gross profit *RMB'000*	Gross profit margin *%*	
Distribution business					
– IVD reagents and other consumables	**314,778**	**17.3**	106,257	29.0	196.2%
– IVD analysers	**40,674**	**11.0**	6,254	15.1	550.4%
Subtotal	**355,452**	**16.3**	112,511	27.5	215.9%
Maintenance services	**85,292**	**59.5**	–	0.0	100.0%
Self-branded products business					
– IVD reagents and other consumables	**2,131**	**56.7**	4,160	80.1	(48.8%)
– IVD analysers	**3**	**11.1**	–	0.0	100.0%
Subtotal	**2,134**	**56.4**	4,160	80.1	(48.7%)
Total	**442,878**	**19.0**	116,671	28.2	279.6%

Gross profit and gross profit margin by product type

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

	For the year ended 31 December				
Product type	**2019**		2018		**Change**
	Gross profit *RMB'000*	**Gross profit margin** *%*	Gross profit *RMB'000*	Gross profit margin *%*	
IVD analysers					
– Distribution business	**40,674**	**11.0**	6,254	15.1	550.4%
– Self-branded products business	**3**	**11.1**	–	0.0	100.0%
Subtotal	**40,677**	**11.0**	6,254	15.1	550.4%
IVD reagents and other consumables					
– Distribution business	**314,778**	**17.3**	106,257	29.0	196.2%
– Self-branded products business	**2,131**	**56.7**	4,160	80.1	(48.8%)
Subtotal	**316,909**	**17.4**	110,417	29.7	187.0%
Total	**357,586**	**16.3**	116,671	28.2	206.5%

OTHER INCOME AND GAINS

Other income and gains of the Group amounted to RMB28,355 thousand for the year ended 31 December 2019, representing an increase of 376.9% as compared to RMB5,946 thousand for the year ended 31 December 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

	2019	2018
	RMB'000	*RMB'000*
Other income		
Bank interest income	**3,361**	169
Other interest income	**895**	1,356
Service income	**2,225**	3,314
Rental income	**248**	295
Government subsidies	**14,358**	422
Others	**614**	156
Subtotal	**21,701**	5,712
Gains		
Foreign exchange differences, net	**6,654**	234
Total	**28,355**	5,946

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group amounted to RMB96,620 thousand for the year ended 31 December 2019, representing an increase of 730.7% as compared to RMB11,631 thousand for the year ended 31 December 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses of the Group amounted to RMB124,676 thousand for the year ended 31 December 2019, representing an increase of 127.9% as compared to RMB54,696 thousand for the year ended 31 December 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

OTHER EXPENSES

Other expenses of the Group amounted to RMB114,570 thousand for the year ended 31 December 2019, representing an increase of 34,829.9% as compared to RMB328 thousand for the year ended 31 December 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

	2019 ***RMB'000***	2018 *RMB'000*
Fair value loss on financial liabilities at fair value through profit or loss, net	**80,621**	–
Impairment of intangible asset	**26,795**	–
Impairment of goodwill	**6,639**	–
Loss on disposal of items of property, plant and equipment	**30**	3
Others	**485**	325
Total	**114,570**	328

FINANCE COSTS

Finance costs of the Group amounted to RMB7,784 thousand for the year ended 31 December 2019 as compared to nil for the year ended 31 December 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates primarily related to profits realised from Vastec before the completion of the Acquisition.

INCOME TAX

Income tax of the Group amounted to RMB42,121 thousand for the year ended 31 December 2019, representing an increase of 132.5% as compared to RMB18,114 thousand for the year ended 31 December 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

PROFIT FOR THE YEAR

Profit of the Group for the year amounted to RMB254,819 thousand for the year ended 31 December 2019, representing an increase of 156.1% as compared to RMB99,508 thousand for the year ended 31 December 2018. Such significant increase was primarily due to (i) the consolidation of the financial results of Vastec Group after the completion of the Acquisition, and (ii) a one-off, non-operating gain on remeasurement of pre-existing interest in Vastec relating to the Acquisition. Factor (ii) above was offset by (a) a one-off, non-operating fair value loss on financial liabilities at fair value through profit or loss which was triggered by the Listing and (b) one-off expenses on realisation of inventory fair value adjustment.

Adjusted profit for the year

Adjusted profit of the Group for the year is calculated by profit for the year deducting gain on remeasurement of pre-existing interest in Vastec, excluding fair value loss on financial liabilities, expenses on realisation of inventory fair value adjustment, amortisation of intangible assets and depreciation of property, plant and equipment relating to the Acquisition, initial public offering expenses and expenses in relation to share options. Adjusted profit of the Group for the year amounted to RMB259,282 thousand for the year ended 31 December 2019, representing an increase of 131.4% as compared to RMB112,042 thousand for the year ended 31 December 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

	2019 ***RMB'000***	2018 *RMB'000*
Profit for the year	**254,819**	99,508
Adjusted for:		
Gain on remeasurement of pre-existing interest in Vastec	**(208,759)**	–
Fair value loss on financial liabilities	**80,621**	–
Expenses on realisation of inventory fair value adjustment	**60,320**	–
Initial public offering expenses	**41,490**	12,534
Share option expenses	**20,337**	–
Amortisation of intangible assets and depreciation of property, plant and equipment relating to the Acquisition	**10,454**	–
Adjusted profit for the year	**259,282**	112,042

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2019, the Group had cash and cash equivalents of RMB910,871 thousand (primarily denominated in HK$, RMB and US$), as compared to RMB115,364 thousand as of 31 December 2018. 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.

BORROWINGS

The Group's bank borrowings of RMB273,531 thousand as of 31 December 2019 primarily consisted of short-term working capital loans denominated in US$ and RMB. All of the Group's bank borrowings as of 31 December 2019 were not secured by any controlling Shareholder.

CHARGE OF ASSETS/PLEDGE OF ASSETS

As of 31 December 2019, the Group's bank deposits of approximately RMB7,651 thousand were pledged to secure the Group's letter of credit in the aggregate amount of RMB12,011 thousand.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

As of 31 December 2019, the Group's total equity attributable to owners of the parent was RMB2,818,666 thousand (as of 31 December 2018: RMB948,478 thousand), which represented share capital of RMB4,569 thousand (as of 31 December 2018: RMB171 thousand) and reserves of RMB2,814,097 thousand (as of 31 December 2018: RMB948,307 thousand). The increase in total equity attributable to owners of the parent was primarily due to (i) 333,400,000 ordinary Shares being issued at the offer price of HK$3.07 per Share under the Company's initial public offering; and (ii) the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

NET CURRENT ASSETS

The Group had net current assets of RMB1,280,903 thousand as of 31 December 2019, representing an increase of RMB984,098 thousand as compared to RMB296,805 thousand as of 31 December 2018. Such increase was primarily due to (i) 333,400,000 ordinary Shares being issued at the offer price of HK$3.07 per Share under the Company's initial public offering; and (ii) the consolidation of the financial results of Vastec Group after the completion of the Acquisition.

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates primarily relates to its cash and bank balances and interest-bearing bank borrowings. The Group has not used any interest rate swaps to hedge its interest rate risk, and will consider hedging significant interest rate risk should such need arise.

FOREIGN CURRENCY RISK

The Group faces transactional currency exposures arising from bank deposits held by operating units in currencies other than the units' functional currency. The currencies giving rise to such risk are primarily US$ and HK$. For the year ended 31 December 2019, the Group recorded a net exchange gain of RMB6,654 thousand, as compared to a net exchange gain of RMB234 thousand for the year ended 31 December 2018. As of 31 December 2019, the Group has not had any significant hedging arrangements to manage foreign exchange risks but has been actively monitoring and overseeing its foreign exchange risks.

CREDIT RISK

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

LIQUIDITY RISK

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

CAPITAL EXPENDITURE

For the year ended 31 December 2019, the Group's total capital expenditure amounted to approximately RMB30,922 thousand, which was primarily used in service equipment.

CONTINGENT LIABILITIES AND GUARANTEES

As of 31 December 2019, the Group did not have any material contingent liabilities, guarantees or any litigation against it (as of 31 December 2018: nil).

GEARING RATIO

As of 31 December 2019, the Group's gearing ratio (the gearing ratio is equivalent to total debt divided by total assets as of the end of the year) was approximately 8.4% (as of 31 December 2018: nil).

SIGNIFICANT INVESTMENTS

As of 31 December 2019, the Group did not hold any significant investments in the equity interests of any other companies.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save for the Acquisition defined and disclosed in the Prospectus, the Group did not have any material acquisition or disposal of subsidiaries and affiliated companies for the year ended 31 December 2019. Please refer to section headed "*History, Reorganisation and Corporate Structure – Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors – Phase 2: Pre-IPO Investment in 2019 with Huatuo*" in the Prospectus for more details on the Acquisition.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of 31 December 2019, the Group did not have any capital commitments (as of 31 December 2018: nil) to acquire property, plant or equipment.

As of 31 December 2019, the Group did not have other plans for material investments and capital assets, save for the planned capital expenditure as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering of the Company were approximately HKD902.9 million. The net proceeds have been and will be utilised in accordance with the purposes set out in the Prospectus. As of 31 December 2019, the Group has applied the net proceeds for the following purposes:

	Percentage of total amount	Use of proceeds in the same manner and proportion as stated in the Prospectus	Actual use of proceeds up to 31 December 2019	Balance as of 31 December 2019
	%	*(HKD million)*	*(HKD million)*	*(HKD million)*
Settling the outstanding balance of the cash consideration for the acquisition of 60% equity interest in Vastec	49.9	461.7	461.7	–
Paying part of the Special Dividend	33.1	306.8	306.8	–
Expanding customer base under distribution business	6.6	52.4	14.7	37.7
Continuing research and development of self-branded products	3.4	26.8	1.3	25.5
Expanding distribution business and improving distribution value chain	2.5	19.8	3.8	16.0
Using as working capital and for general corporate purpose	4.5	35.4	35.4	–
Total	**100.0**	**902.9**	**823.7**	**79.2**

Share Option Scheme

To attract and retain more suitable personnel for development of the Group, the Group has adopted an employees' pre-IPO share option scheme (the "ESOP") as approved on 29 December 2017 and further amended on 27 March 2019 and a share option scheme (the "Share Option Scheme") as approved on 21 June 2019, details of which were set out in the Prospectus. From the date of the adoption and up to the date of this annual report, 32,507,627 share options under the ESOP and 3,333,500 share options under the Share Option Scheme have been granted, and 6,501,526 share options under the ESOP have lapsed.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2019, the Group had 578 employees (as of 31 December 2018: 114 employees). Total staff remuneration expenses, including Directors' remuneration, for the year ended 31 December 2019 amounted to RMB139,237 thousand (for the year ended 31 December 2018: RMB22,512 thousand).

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

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ho Kuk Sing

Mr. Ho Kuk Sing (何鞠誠), aged 61, is the chairman of the Board (the "Chairman"), the Chief Executive Officer of the Company and an executive Director 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 33 years of experience in the IVD industry. He is currently a director of various subsidiaries of the Company. 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

Mr. Leung King Sun (梁景新), aged 62, 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 25 years of experience in the IVD industry. He is currently a director of various subsidiaries of the Company. He founded Vastec in August 1993 and has been the chief operating officer of Vastec since May 1995.

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 44, is the General Manager of the Company and an executive Director primarily responsible for overseeing the business development of the Group. He 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 19 years of experience in the IVD industry. He founded 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 Medical Equipment (Shanghai) Co., Ltd ("Vastec (Shanghai)") 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.

Non-Executive Directors

Mr. Chen Xingang (陳心剛), aged 45, is a non-executive Director primarily responsible for providing advice on strategies to the Group. He was appointed as a Director on 21 June 2016 and was designated as a non-executive Director on 21 June 2019. Mr. Chen joined the Group in February 2014 and served as a director of Vastec (Shanghai) and Vastec since then.

Mr. Chen has over 24 years of experience in the medical equipment related industry in the PRC. Mr. Chen joined Shinva Medical Instrument Co., Ltd ("Shinva") in December 1994 and served as the deputy head and head of the Strategic Development Department from January 2010 to April 2011 and from April 2011 to January 2017, respectively. He currently holds various positions in Shinva, including supervisor, assistant to the president and general manager of the IVD department, primarily responsible for the management of Shinva's IVD business operations. He also serves as a director and supervisor in various companies invested by Shinva as its representative. The principal business activities of these investee companies are R&D, production and sale of medical devices in the PRC.

Mr. Chen obtained a bachelor's degree in Accounting from Shandong University of Technology (山東理工大學) in January 2009. He has been admitted as a non-practising member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會非執業會員) since July 2015 and a registered tax agent of China Certified Tax Agents Association (中國註冊税務師) since September 2005.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang Zhaoxu (楊兆旭), aged 56, is a non-executive Director primarily responsible for providing advice on strategies to the Group. He was appointed as a Director on 25 January 2019 and was designated as a non-executive Director on 21 June 2019. Mr. Yang joined the Group in June 2018 and served as a director of Vastec (Shanghai) from June 2018 to May 2019.

Mr. Yang has over 34 years of experience in the medical equipment related industry in the PRC. Mr. Yang joined Shinva as a technician in July 1984 and served as an alternate deputy head and deputy head of the research centre from May 1994 to June 1995 and from June 1995 to August 1996, respectively. He then served as a deputy chief engineer of Shinva since August 1996 and as a director of Shinva from May 1999 to April 2017. He currently holds various positions in Shinva, including deputy general manager and deputy chief engineer, primarily responsible for the technology development, production and operations management of Shinva. He also serves as a director in various companies invested by Shinva as its representative. The principal business activities of these investee companies are R&D, production and sale of medical devices in the PRC.

Mr. Yang obtained a bachelor's degree in Chemical Machinery from Qingdao University of Science and Technology (青島科技大學), formerly known as Shandong Institute of Chemical Technology* (山東化工學院), in 1984.

Mr. Chan Kwok King, Kingsley (陳國勁), aged 43, is a non-executive Director primarily responsible for providing advice on strategies to the Group. He was appointed as a Director on 21 June 2016 and was designated as a non-executive Director on 21 June 2019.

Mr. Chan is a managing director of the Private Credit & Equity Division of Morgan Stanley Asia Limited ("Morgan Stanley"). Mr. Chan joined Morgan Stanley in 2007 and is responsible for the private equity investment business in China. Mr. Chan currently holds directorship in various companies invested by Morgan Stanley as its representative. He is at the same time an observer on the board of Yirendai Ltd (stock code: YRD), a company listed on The New York Stock Exchange. He currently serves as a non-executive Director of China Feihe Limited (stock code: 6186) and Home Control International Limited (stock code: 1747), both companies are listed on the Main Board of The Stock Exchange. Prior to joining Morgan Stanley, Mr. Chan worked at the investment banking division of Citigroup Global Markets Asia Limited from 1999 to 2004 and Credit Suisse (Hong Kong) Limited from 2004 to 2007.

Mr. Chan obtained a master's degree in Finance from the University of Cambridge in 1999. He obtained a bachelor's degree in Economics from the University of London in 1998.

Independent Non-Executive Directors

Mr. Lau Siu Ki (劉紹基), 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.

Mr. Lau has approximately 20 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
Comba Telecom Systems Holdings Limited	2342	20 June 2003	Independent non-executive director
FIH Mobile Limited	2038	1 December 2004	Independent non-executive director
Samson Holding Ltd.	531	24 October 2005	Independent non-executive director
Embry Holdings Limited	1388	25 November 2006	Independent non-executive director
Binhai Investment Company Limited	2886, previously listed on the GEM (stock code: 8035)	23 March 2009	Independent non-executive director
TCL Electronics Holdings Limited	1070	3 November 2017	Independent non-executive director
Yeebo (International Holdings) Limited	259	13 May 2004	Company secretary
Hung Fook Tong Group Holdings Limited	1446	13 May 2015	Company secretary
Expert Systems Holdings Limited	8319	March 2016	Company secretary

Mr. Lau also acted as an independent non-executive director of TCL Communication Technology Holdings Limited (Stock Code: 2618) from April 2004 to October 2016, UKF (Holdings) Limited (Stock Code: 1468) from March 2015 to March 2016 and China Medical & Healthcare Group Limited (Stock Code: 383) from June 2004 to December 2018. In addition, he acted as an independent supervisor of Beijing Capital International Airport Co., Ltd. (Stock Code: 694) from June 2014 to June 2017, each being a company listed on the Main Board of the Stock Exchange.

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.

Dr. Zhong Renqian (仲人前), aged 57, was appointed as an independent non-executive Director on 21 June 2019. He is responsible for overseeing the management of the Group independently.

Dr. Zhong is experienced in teaching and medical research in the fields of clinical laboratory and diagnostics. He is currently a member of various national committees and scientific societies in the PRC, including the president of the Shanghai Immunology Association* (上海市免疫學會) and the vice president of the Laboratory Medicine Committee of Chinese Research Hospital Association (中國研究型醫院學會). Dr. Zhong previously served as 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 (上海長征醫院) (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 69, was appointed as an independent non-executive Director on 21 June 2019. He is responsible for overseeing the management of the Group independently.

Mr. Leung has over 38 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 has been an Adjunct Associate Professor of the Department of Applied Biology and Chemical Technology of The Hong Kong Polytechnic University since July 2010, where he undertakes the education and research of food safety and technology. Mr. Leung has participated in numerous international meetings in the fields of food safety and risk management since 2003.

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 academician 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. Pun Fai (潘輝), aged 41, is the general manager of IVD China Limited ("IVD China") primarily responsible for general management and operations. Mr. Pun has over nine years of experience in the IVD industry. He joined the Group in July 2009 as the general manager of Digital Images Diagnostic (China) Limited and was appointed as the general manager of IVD China in January 2016. Prior to joining the Group, Mr. Pun worked as a senior sales executive and account manager in Siemens Healthcare Diagnostics Limited from June 2007 to December 2008 and from January 2009 to June 2009, respectively.

Mr. Pun obtained a bachelor's degree in Biomedical Science from The Hong Kong Polytechnic University in November 2002. He was admitted to the Register of Medical Laboratory Technologists in August 2000.

Mr. Li Zuhou (李祖后), aged 45, is the vice general manager of Dacheng primarily responsible for general management and operations. Mr. Li has 17 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 Yuefeng (周越峰), aged 42, is the sales and marketing director of Vastec and the marketing director and regional sales director of Vastec (Shanghai). Mr. Zhou has over 14 years of experience in sales and marketing of IVD products. He joined the Group in December 2004 as the sales representative of Vastec (Shanghai), primarily responsible for sales and marketing.

Mr. Zhou obtained a bachelor's degree in Naval Clinical Medicine from Second Military Medical University (中國人民解放軍第二軍醫大學) in June 2000.

Mr. Zhou Chuanbo (周傳波), aged 40, is the Chief Finance Officer of the Company primarily responsible for the overall financial management of the Group. He joined the Group in March 2019 as the Chief Finance Officer of the Company.

Mr. Zhou has over 14 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.

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 (北京航空航天大學).

Mr. Yang Bo (楊波), aged 42, is the financial controller of the Company. Mr. Yang has over ten 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 and Vastec (Shanghai). 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.

Note: English translations marked with "*" are for identification purpose only.

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 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its 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 year.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year ended 31 December 2019 under review and the material factors underlying its results and financial position are provided in the part of "Management discussion and analysis" from page 9 to page 29 of this annual report, which forms a part of the Directors' Report.

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 year ended 31 December 2019, 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.

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.

The Group has entered into a new distribution agreement with Sysmex, its principal supplier, to extend the distribution term until 2022. This newly signed agreement will further stabilise the relationship between the Group and Sysmex.

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 year ended 31 December 2019.

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 policies and performance of the Group are disclosed in the "Environmental, Social and Governance Report" as set out on pages 81 to 116 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China 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 Mainland China, the Cayman Islands and Hong Kong. In 2019, the Group's businesses were in compliance with all relevant laws and regulations in Mainland China, the Cayman Islands and Hong Kong in all material aspects.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2019 and the state of affairs of the Group as of 31 December 2019 are set out in the consolidated financial statements in this annual report.

The Directors have resolved to recommend the payment of a final dividend of HK5.366 cents per Share for the year ended 31 December 2019 to the Shareholders whose names appear on the register of members of the Company on 11 June 2020. The final dividend, if approved by the Shareholders at the annual general meeting (the "AGM") to be held on 3 June 2020, will be payable on or around 2 July 2020.

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.

CLOSURE OF REGISTER OF MEMBERS

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

(a) For the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 29 May 2020 to Wednesday, 3 June 2020, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 28 May 2020.

(b) For the purpose of determining the Shareholders who qualify for the final dividend, the register of members of the Company will be closed from Tuesday, 9 June 2020 to Thursday, 11 June 2020, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 8 June 2020.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past four years is set out on page 222 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 year in the Group's property, plant and equipment are set out in note 13 to the financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, sales to the Group's five largest customers accounted for approximately 21.8% of the Group's total sales and sales to the largest customer included therein amounted to approximately RMB135,705 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 89.9% of the Group's total purchases for the year and purchase from the largest supplier included therein amounted to approximately RMB1,348,685 thousand, which accounted for approximately 82.5% of the Group's total purchases.

None of the Directors, any of their associates or any Shareholders that to the knowledge of the Directors own more than 5% of the Shares had any interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2019.

SHARE CAPITAL

As of 31 December 2019, 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 year ended 31 December 2019 are set out in note 25 to the financial statements in this annual report.

RESERVES

Details of the movements in the reserves of the Group for the year ended 31 December 2019 are set out in the section headed "Consolidated Statement of Changes in Equity" of this annual report.

As of 31 December 2019, the Company's reserves available for distribution to the Shareholders were approximately RMB2,426,704 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 (the "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.

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this annual report are:

Executive Directors
Mr. Ho Kuk Sing *(Chairman & Chief Executive Officer)*
Mr. Leung King Sun *(Chief Operating Officer)*
Mr. Lin Xianya

Non-executive Directors
Mr. Chen Xingang
Mr. Yang Zhaoxu
Mr. Chan Kwok King, Kingsley

Independent Non-executive Directors
Mr. Lau Siu Ki
Mr. Zhong Renqian
Mr. Leung Ka Sing

In accordance with the Articles of Association, Mr. Ho Kuk Sing ("Mr. Ho"), Mr. Leung King Sun ("Mr. Leung") and Mr. Lin Xianya ("Mr. Lin") will retire from office as Directors at the AGM. Each of Mr. Ho, Mr. Leung and Mr. Lin will offer themselves for re-election.

SERVICE CONTRACTS OF DIRECTORS

Each of the Directors has entered into a service contract with the Company which commenced from their respective date of appointment for an initial term of three years and shall be terminable by either party giving not less than three months' notice in writing to the other.

None of the Directors proposed for re-election at the forthcoming 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, role and duties, experience, responsibilities and performance of individuals and comparable market practices.

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements in this annual report.

The annual remuneration of the senior management by band for the year ended 31 December 2019 is as follows:

Annual Income	Number of Persons
Nil to RMB1,000,000	2
RMB1,000,000 to RMB1,500,000	1
RMB1,500,001 to RMB2,000,000	2

PENSION SCHEME

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 subsidiaries which operate in Mainland China 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 2019, there were no forfeited contributions available to reduce future obligations.

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. The Company believes that all of its independent non-executive Directors are independent in accordance with the guidelines set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTOR'S INTEREST IN TRANSACTIONS, AGREEMENTS AND CONTRACTS

Save for transactions as disclosed in note 30 to the financial statements, no Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, agreements or contracts of significance to the business of the Group to which the Company, a controlling Shareholder, or any of the Company's subsidiaries or fellow subsidiaries was a party at the end of or at any time during the year ended 31 December 2019.

SIGNIFICANT CONTRACTS

Save as disclosed in this annual report, no other significant contract was entered into between the Company, or one of its subsidiaries, and a controlling Shareholder or any of its subsidiaries.

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).

For further details of the Founding Group Deed and the Shinva Deed, please refer to the Prospectus.

The Company has received confirmations from the Founding Group Covenantors and the Shinva Covenantors of their compliance with the terms of the Founding Group Deed and the Shinva Deed, respectively. The Founding Group Covenantors and the Shinva Covenantors declared that they had fully complied with the Founding Group Deed and the Shinva Deed, respectively, for the year ended 31 December 2019. The independent non-executive Directors have reviewed the confirmations from the Founding Group Covenantors and the Shinva Covenantors and concluded that Founding Group Deed and the Shinva Deed have been complied with and have been effectively enforced.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as disclosed in this annual report, 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 during the year ended 31 December 2019 or subsisting at the end of the year.

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

As of 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, are as follows:

Name of Directors	Capacity/Nature of Interest	Number of Shares(1)	Approximate Percentage of Interest in the Company
Mr. Ho(2)(5)	Interest in a controlled corporation	175,517,429 (L)	13.16%
	Beneficial owner	20,479,805 (L)	1.54%
Mr. Leung(3)(5)	Interest in a controlled corporation	175,517,429 (L)	13.16%
	Beneficial owner	3,900,915 (L)	0.29%
Mr. Lin(4)(5)	Interest in a controlled corporation	112,664,041 (L)	8.45%
	Beneficial owner	8,126,907 (L)	0.61%

Notes:

(1) The letter "L" denotes the Director's long position in the Shares.

(2) Mr. Ho is the sole shareholder of KS&KL Investment Co. Limited, which holds 175,517,429 Shares. 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) the interest in the Company held by KS&KL Investment Co. Limited; and (ii) options held by Mr. Ho under the ESOP.

(3) Mr. Leung is the sole shareholder of King Sun Limited, which holds 175,517,429 Shares. Therefore, Mr. Leung is deemed to be interested in King Sun Limited's interest in the Shares pursuant to the SFO. The disclosed interest represents (i) the interest in the Company held by King Sun Limited; and (ii) options held by Mr. Leung under the ESOP.

(4) Mr. Lin is the sole shareholder of Lucan Investment Limited, which holds 112,664,041 Shares. 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) the interest in the Company held by Lucan Investment Limited; and (ii) options held by Mr. Lin under the ESOP.

(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, will collectively hold 463,698,899 Shares.

Save as disclosed above, as of 31 December 2019, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 31 December 2019, the following persons (other than the Directors or chief executive of the Company), are directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or to be entered in the register to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares[(1)]	Approximate Percentage of Interest in the Company
KS&KL Investment Co. Limited	Beneficial owner	175,517,429 (L)	13.16%
King Sun Limited	Beneficial owner	175,517,429 (L)	13.16%
Lucan Investment Limited	Beneficial owner	112,664,041 (L)	8.45%

Name of Shareholders	Capacity/Nature of Interest	Number of Shares[1]	Approximate Percentage of Interest in the Company
North Haven Private Equity Asia IVD Company Limited[2]	Beneficial owner	92,646,730 (L)	6.95%
North Haven Private Equity Asia IVD Holding Limited[2]	Interest in a controlled corporation	92,646,730 (L)	6.95%
North Haven Private Equity Asia IV Holdings Limited[2]	Interest in a controlled corporation	92,646,730 (L)	6.95%
North Haven Private Equity Asia IV, L.P.[2]	Interest in a controlled corporation	92,646,730 (L)	6.95%
Morgan Stanley Private Equity Asia IV, L.L.C.[2]	Interest in a controlled corporation	92,646,730 (L)	6.95%
Morgan Stanley Private Equity Asia IV, Inc. [2]	Interest in a controlled corporation	92,646,730 (L)	6.95%
MS Holdings Incorporated[2]	Interest in a controlled corporation	92,646,730 (L)	6.95%
Morgan Stanley & Co. International plc[3]	Beneficial owner	129,000 (L)	0.01%
Morgan Stanley Investments (UK)[3]	Interest in a controlled corporation	129,000 (L)	0.01%
Morgan Stanley International Limited[3]	Interest in a controlled corporation	129,000 (L)	0.01%
Morgan Stanley International Holdings Inc.[3]	Interest in a controlled corporation	129,000 (L)	0.01%

Name of Shareholders	Capacity/Nature of Interest	Number of Shares[1]	Approximate Percentage of Interest in the Company
Morgan Stanley[2][3]	Interest in a controlled corporation	92,775,730 (L)	6.96%
Huatuo International Development Co., Limited[4]	Beneficial owner	443,654,371 (L)	33.27%
Shinva Medical Instrument Co., Ltd	Interest in a controlled corporation	443,654,371 (L)	33.27%

Notes:

(1) The letter "L" denotes a person's long position in the Shares.

(2) North Haven Private Equity Asia IVD Company Limited is a wholly-owned subsidiary of North Haven Private Equity Asia IVD Holding Limited, which is in turn a wholly-owned subsidiary of North Haven Private Equity Asia IV Holdings Limited. North Haven Private Equity Asia IV Holdings Limited is a wholly-owned subsidiary of North Haven Private Equity Asia IV, L.P., which is in turn a wholly-owned subsidiary of Morgan Stanley Private Equity Asia IV, L.L.C. Morgan Stanley Private Equity Asia IV, L.L.C. is a wholly-owned subsidiary of Morgan Stanley Private Equity Asia IV, Inc., which is in turn a wholly-owned subsidiary of MS Holdings Incorporated. MS Holdings Incorporated is a wholly-owned subsidiary of Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in North Haven Private Equity Asia IVD Company Limited's interest in the Shares pursuant to the SFO.

(3) Morgan Stanley & Co. International plc is a wholly-owned subsidiary of Morgan Stanley Investments (UK), which is in turn a wholly-owned subsidiary of Morgan Stanley International Limited. Morgan Stanley International Limited is a wholly-owned subsidiary of Morgan Stanley International Holdings Inc., which is in turn a wholly-owned subsidiary of Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in Morgan Stanley & Co. International plc's interest in the Shares pursuant to the SFO.

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

Save as disclosed above, as of 31 December 2019, the Directors were not aware of any person who had an interest or short position in the shares and the underlying shares of the Company which were required to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or to be entered in the register to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Since the Listing Date and up to 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's Shares.

SHARE OPTION 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. The terms of the ESOP are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

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

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

(b) Who may join

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

(c) Maximum number of underlying Shares

The overall limit on the number of underlying Shares which may be issued is 32,507,627 Shares with a par value of US$0.0005 each.

(d) Administration

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

(i) select the employees, officers and Directors to whom the Management Options may be granted from time to time under the ESOP;

(ii) determine whether and to what extent the Management Options are granted under the ESOP;

(iii) determine the number of Shares or the amount of other consideration to be covered by each Management Option granted under the ESOP;

(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.

(e) Option grants

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

(f) Term of the ESOP

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

(g) Exercise of option

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

(i) if the consolidated net income attributable to equity Shareholders, 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**
Net Income Target *(RMB million)*	110	130	281	325	375

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

(h) Exercise price

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

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

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

(i) if the Shares are traded on a securities exchange, the value shall be deemed to be the average of the security's closing prices on such exchange over the thirty-day period ending one day prior to such date, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) if the Shares are traded over the counter, the value shall be deemed to be the average of the closing prices over the thirty-day period ending three days prior to such date as reported in The Wall Street Journal or such other source as the Administrator deems reliable; and

(iii) in the absence of an established market for the Shares of the type described in (i) and (ii) above, the Fair Market Value thereof shall be determined by the Administrator in good faith.

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

(i) Outstanding options granted

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

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

Name[(1)]	Position	Options granted under the ESOP	Approximate percentage of the total number of Shares in issue as of the date of this annual report
Mr. Ho	Chairman, executive Director and Chief Executive Officer	20,479,805	1.54%
Mr. Leung	Executive Director and Chief Operating Officer	3,900,915	0.29%
Mr. Lin	Executive Director and General Manager	8,126,907	0.61%
Total		32,507,627	2.44%

Note:

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

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

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

As of the date of this annual report, a total of 6,501,526 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 16,383,844, 3,120,732 and 6,501,525 Management Options, respectively, subject to the terms of the ESOP as of the date of this annual report. No option has been exercised under the ESOP 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 as 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 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.

The total number of Shares available for issue under the Share Option Scheme is 133,340,000, representing 10% of the total number of Shares in issue as of the date of this annual report.

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

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

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

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the Option is deemed to have been granted in accordance with the terms of the Share Option Scheme (the "Date of Grant"), which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(b) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Date of Grant; and

(c) the nominal value of a Share.

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

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

Particulars of options granted under the Share Option Scheme are as follows:

Category of Participant	Date of Grant	Exercise Price[1] (HK$)	Options Granted	Exercisable Period	Outstanding as of 1 January 2019	Outstanding as of 31 December 2019	Exercised during the year ended 31 December 2019	Expired/ lapsed/cancelled during the year ended 31 December 2019
Employees								
Seven individuals	22 Nov 2019	3.042	3,333,500	22 Nov 2019 to 21 Nov 2024	–	3,333,500	–	–
Total			3,333,500		–	3,333,500	–	–

Note:

(1) The closing price per Share as stated in the daily quotation sheet of the Stock Exchange on 21 November 2019, the date immediately preceding the date of grant, was HK$3.04.

On 22 November 2019, the Board resolved to grant 8,000,400 Options, 8,000,400 Options and 7,333,700 Options to Mr. Ho, Mr. Leung and Mr. Lin, respectively, under the Share Option Scheme, subject to independent Shareholders' approval to be obtained at the forthcoming AGM. The excise price of such Options is HK$3.042 per Share and the Options will be valid and exercisable for a period of 5 years commencing from the date upon obtaining of the independent Shareholders' approval.

Fair values of the share options granted under the ESOP and the Share Option Scheme during the year ended 31 December 2019, which were calculated using the binomial option pricing model as of the date of grant of such options, are set out in note 26 to the financial statements. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

CONNECTED TRANSACTIONS

Since the Listing Date and up to 31 December 2019, the Group had conducted the following transactions which constituted non-exempt continuing connected transactions under Chapter 14A of the Listing Rules:

Mr. Yao Lin	Mr. Yao Lin is a substantial shareholder of IVD China Limited and a director of IVD Medical Equipments (Shanghai) Co., Ltd., each a subsidiary of the Company, and hence Mr. Yao Lin is a connected person of the Company.
Jinqiao Vastec (Beijing) Medical Devices Co., Ltd.* (金橋威士達(北京)醫療器械有限公司) ("Jinqiao Medical")	Jinqiao Medical is a company in which Mr. Yao Lin holds 100% equity interest, and is therefore and a connected person of the Company.
Beijing Modern Vastec Medical Devices Co., Ltd.* (北京現代威士達醫療器械有限公司) ("Beijing Medical")	Beijing Medical is a company in which Mr. Yao Lin holds 98% equity interest, and is therefore a connected person of the Company.
Beijing Sanpin Medical Technology Co., Ltd.* (北京三品醫療科技有限公司) ("Beijing Sanpin")	Beijing Sanpin is a company in which Mr. Yao Tianyi, the son of Mr. Yao Lin, holds 100% equity interest, and is therefore a connected person of the Company.
Shinva Group	Huatuo is a substantial Shareholder. As such, Huatuo and its associates, comprising Shinva (being the holding company) and its subsidiaries (collectively, the "Shinva Group"), are connected persons of the Company.

(A) Provision of after-sales services by Beijing Medical to the Group

The Group has been engaging Beijing Medical and its subsidiaries to provide after-sales services, including installation, maintenance, technical support and training with respect to IVD products to customers of the Group pursuant to a three-year framework agreement (the "After-sales Services Framework Agreement") entered into by the Company and Beijing Medical on 10 January 2019. The annual caps for total service fees payable by the Group to Beijing Medical for the provision of after-sales services under the After-sales Services Framework Agreement for the years ended 31 December 2019, 2020 and 2021 are RMB7,000,000, RMB8,108,000 and RMB9,417,000, respectively. The actual transaction amount for the provision of after-sales services since the Listing Date and up to 31 December 2019 was RMB2,237,000.

(B) Sales of the IVD analysers and reagents by the Group to the Connected Distributors

The Group has been engaging the Mr. Yao Lin, Jinqiao Medical, Beijing Medical and Beijing Sanpin (collectively, the "Connected Distributors") as distributors and/or agents for the sale of the self-developed and other branded IVD reagents including c-reactive protein reagents, procalcitonin reagents and hypersensitive c-reactive protein reagents, as well as IVD analysers, to the Connected Distributors pursuant to a one-year framework agreement (the "IVD Analyser and Reagent Sale Framework Agreement") entered into by the Company and the Connected Distributors on 13 May 2019. The annual caps for total consideration of the sales of the IVD analysers and reagents under the IVD Analyser and Reagent Sale Framework Agreement for the years ended 31 December 2019, 2020 and 2021 are RMB64,800,000, RMB71,150,000 and RMB77,900,000, respectively. The actual transaction amount for the sales of the IVD analysers and reagents since the Listing Date and up to 31 December 2019 was RMB25,210,000.

(C) Rental of premises from the Founding Group

The Group (as tenant) has been leasing from Mr. Ho, Mr. Leung and Mr. Lin (the "Founding Group") and their associates (as landlord) their owned premises in Hong Kong and the PRC for office use and for dormitory use, subject to the terms and conditions of the relevant tenancy agreements (collectively, the "Founding Group Tenancy Agreements") with details set out below:

	Premise	Landlord	Tenant	Annual rental fee	Term	Usage
(i)	Rooms 610-614, 6/F, No. 30, Lane 2419, Hunan Road, Pudong Xinqu, Shanghai, the PRC	Mr. Lin	Dacheng	RMB1,884,528, calculated at the rate of RMB157,044 per month for 2018, with a 10% increase per annum thereafter	1 April 2018 to 31 March 2021	Office use
(ii)	Room 1703, Grandtech Centre, 8 On Ping Street, Sha Tin, New Territories, Hong Kong	Mr. Ho and Mr. Leung	Vastec	HK$360,000, calculated at the rate of HK$30,000 per month	1 January 2019 to 31 December 2020	Office use
(iii)	Room 602, Building 6, Lane 299, Bisheng Road, Zhangjiang Hi-Tech Park, Pudong Xinqu, Shanghai, the PRC	Mr. Ho and Mr. Leung	Vastec (Shanghai)	RMB422,820, calculated at the rate of RMB35,235 per month	21 January 2019 to 31 July 2020	Office use
(iv)	Room 102, Building 6, Lane 299, Bisheng Road, Zhangjiang Hi-Tech Park, Pudong Xinqu, Shanghai, the PRC	Mr. Ho and Mr. Leung	Vastec (Shanghai)	RMB422,820, calculated at the rate of RMB35,235 per month	21 January 2019 to 31 July 2020	Office use
(v)	Room 506, Building 1, Wang Xin Double Layer International Tower, No. 1785 Jiang Han Road, Changhe Street, Binjiang District, Hangzhou, the PRC	Mr. Ho, Mr. Leung, the spouse of Mr. Ho and the spouse of Mr. Leung	Vastec (Shanghai)	RMB187,560, calculated at the rate of RMB15,630 per month	1 January 2018 to 31 December 2020	Office use

	Premise	Landlord	Tenant	Annual rental fee	Term	Usage
(vi)	Room 303, Building 1, Wang Xin Double Layer International Tower, No. 1785 Jiang Han Road, Changhe Street, Binjiang District, Hangzhou, the PRC	Mr. Ho, Mr. Leung, the spouse of Mr. Ho and the spouse of Mr. Leung	Vastec (Shanghai)	RMB212,436, calculated at the rate of RMB17,703 per month	1 January 2018 to 31 December 2020	Office use
(vii)	Room 1602, Building 5, Lane 2580, Jin Xiu Road, Pudong Xinqu, Shanghai, the PRC	Spouse of Mr. Ho	Vastec (Shanghai)	RMB600,000, calculated at the rate of RMB50,000 per month	21 January 2019 to 31 July 2020	Dormitory use
(viii)	Room 2802, No. 21, Lane 1299, Ding Xiang Road, Pudong Xinqu, Shanghai, the PRC	Spouse of Mr. Ho	Vastec (Shanghai)	RMB360,000, calculated at the rate of RMB30,000 per month	21 January 2019 to 31 March 2020	Dormitory use

The annual caps for total annual rental fees payable by the Group to the Founding Group and their associates under the Founding Group Tenancy Agreements for the years ended 31 December 2019, 2020 and 2021 are approximately RMB4,549,000, RMB4,751,000 and RMB4,974,000, respectively. The actual rental fees paid by the Group to the Founding Group and their associates since the Listing Date and up to 31 December 2019 were RMB2,882,000.

(D) Rental of premises from the Shinva Group

Vastec (Shanghai) (as tenant) has been leasing from the Shinva Group (as landlord) its owned premises in the PRC for office use and for warehouse use, subject to the terms and conditions of the relevant tenancy agreements (collectively, the "Shinva Group Tenancy Agreements") with details set out below:

	Premise	Landlord	Tenant	Annual rental fee	Term	Usage
(i)	1F and 2F, Block 3 (No. 2 Production Workshop), No. 79, Xiang Jing Road, Che Dun Town, Songjiang District, Shanghai, the PRC	Shanghai Shinva Taikang Biotechnology Co., Ltd,	Vastec (Shanghai)	RMB3,556,097, calculated at the rate of RMB0.85 per square metre per day, plus utilities and management fee	1 January 2018 to 31 December 2020	Warehouse use
(ii)	Room 1618, Building 1, Ao Sheng Building, No. 1166 Xin Luo Street, High-tech Zone, Jinan, the PRC	Shandong Shensi Medical Equipment Co., Ltd.	Vastec (Shanghai)	RMB79,889.04, calculated at the rate of RMB1.8 per square metre per day, plus utilities and management fee	18 April 2019 to 17 April 2022	Office use

The annual caps for total annual rental fees payable by Vastec (Shanghai) to the Shinva Group under the Shinva Group Tenancy Agreements for the years ended 31 December 2019, 2020 and 2021 are approximately RMB3,902,000, RMB3,910,000 and RMB4,090,000, respectively. The actual rental fees paid by Vastec (Shanghai) to the Shinva Group since the Listing Date and up to 31 December 2019 were RMB1,920,000.

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 the continuing connected 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.

The actual transaction amount of the continuing connected transactions disclosed above since the Listing Date and up to 31 December 2019 has not exceeded the respective annual caps for such transactions.

The Company has also 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 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *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 confirming that nothing has come to their attention that causes them to believe the continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iii) have exceeded the maximum aggregate annual cap in the Prospectus as disclosed above.

RELATED PARTY TRANSACTIONS

Details of the significant related-party transactions undertaken by the Company in the normal course of business during the year ended 31 December 2019 are set out in note 30 to the financial statements. The Company has complied with all the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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 may compete with the business of the Group or has any other conflict of interests during the year ended 31 December 2019.

DIVERSITY OF DIRECTORS

The Company has adopted a diversity policy with respect to the composition of the Board (the "Board Diversity Policy"). In assessing candidates running for directorships, the Nomination Committee will consider a number of factors, including but not limited to gender, age, educational background, professional experience, technical expertise and the ability to fulfill the requirements of the Board. Details on the biographies and experience of the Directors are set out on pages 30 to 35 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times since the Listing Date and up to 31 December 2019 and the Company thus maintained a sufficient public float as required under the Listing Rules as of the date of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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 Board is not aware of any tax relief available to the Shareholders by reason of their holding of the Shares.

DONATION

In 2019, the Group made a total donation of RMB85 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 year ended 31 December 2019 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.

ANNUAL GENERAL MEETING

The AGM will be held on 3 June 2020. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 66 to 80 of this annual report.

MANAGEMENT CONTRACT

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 year ended 31 December 2019.

SUBSEQUENT EVENTS

The outbreak of coronavirus disease 2019 ("COVID-19") since early 2020 has brought about uncertainties to the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact of COVID-19 on the Group's business and has commenced to put in place various measures to mitigate any potential impact. Based on the information currently available, the Directors believe that there has been no material adverse change in the financial position of the Group since 31 December 2019 and up to the date of this annual report. However, the actual impact may differ from such estimate as the situation continues to evolve and further information becomes available.

Save as disclosed above, the Group has no material events since 31 December 2019.

AUDITOR

The Company has appointed Ernst & Young as the auditor of the Company for the year ended 31 December 2019. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Ernst & Young as the auditor of the Company.

On behalf of the Board
Ho Kuk Sing
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 March 2020

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the period from the Listing Date to 31 December 2019 (the "Reporting Period") in this annual report for the year ended 31 December 2019.

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 to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board is of the view that throughout the Reporting Period, the Company has complied with all the code provisions as set out in the CG Code, except for Code Provision A.2.1 (the details of which are set forth below).

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and each Director has confirmed that he 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 take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

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 currently comprises the following Directors:

Executive Directors
Mr. Ho Kuk Sing *(Chairman, Chief Executive Officer, Chairman of the Nomination Committee)*
Mr. Leung King Sun *(Member of Remuneration Committee)*
Mr. Lin Xianya

Non-executive Directors
Mr. Chen Xingang
Mr. Yang Zhaoxu
Mr. Chan Kwok King, Kingsley

Independent Non-executive Directors
Mr. Lau Siu Ki *(Chairman of Audit Committee and Remuneration Committee, Member of Nomination Committee)*
Mr. Zhong Renqian *(Member of Audit Committee)*
Mr. Leung Ka Sing *(Member of Audit Committee, Remuneration Committee and Nomination Committee)*

The biographical information of the Directors are set out in the section headed "Board of Directors and Senior Management" on pages 30 to 35 of this annual report.

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.

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership as all the executive Directors possess extensive experience in IVD and medical equipment industry while the three non-executive Directors and three independent non-executive Directors possess professional knowledge and broad experience in IVD and medical equipment, finance and accounting industry. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Shareholders.

Board Meetings

During the Reporting Period, two board meetings were held and the attendance of each Director is set out as follows:

Name of Director	Number of Meeting Attended
Mr. Ho Kuk Sing	2/2
Mr. Leung King Sun	2/2
Mr. Lin Xianya	2/2
Mr. Chen Xingang	2/2
Mr. Yang Zhaoxu	2/2
Mr. Chan Kwok King, Kingsley	2/2
Mr. Lau Siu Ki	2/2
Mr. Zhong Renqian	2/2
Mr. Leung Ka Sing	2/2

Going forward, the Board will hold at least four meetings each year at approximately quarterly intervals to discuss the Group's business development, operations and financial performance to comply with Code Provision A.1.1. 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.

No general meeting was held during the Reporting Period.

Chairman and Chief Executive Officer

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Chairman and Chief Executive Officer of the Company are held by Mr. Ho who is one of the founders of the Group and has extensive experience in the industry.

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.

No meeting was held between the Chairman and the independent non-executive Directors without the presence of other Directors during the Reporting Period. Going forward, such meetings will be held at least once a year.

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 in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Non-executive Directors

The non-executive Directors (including independent non-executive Directors) of the Company 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 should assume responsibility for leadership and control of the Company, and is collectively 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.

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.

The Board reserves for its decision all major matters relating to policy matters, 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. 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 remains 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.

The Directors have also been informed of the requirement under Code Provision A.6.5 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. During the Reporting Period, they attended courses organised by external professional bodies on topics relevant to the duties and responsibilities of a Director. They have provided the Company with their respective training records pursuant to the CG Code as follows:

	Attending courses
Executive Directors	
Mr. Ho Kuk Sing	✓
Mr. Leung King Sun	✓
Mr. Lin Xianya	✓
Non-executive Directors	
Mr. Chen Xingang	✓
Mr. Yang Zhaoxu	✓
Mr. Chan Kwok King, Kingsley	✓
Independent Non-executive Directors	
Mr. Lau Siu Ki	✓
Mr. Zhong Renqian	✓
Mr. Leung Ka Sing	✓

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee (each as defined below), for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established 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 and are available to the Shareholders upon request.

The list of the Chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The audit committee of the Company (the "Audit Committee") consists of three members, being Mr. Lau Siu Ki, Mr. Zhong Renqian and Mr. Leung Ka Sing. Mr. Lau Siu Ki currently serves as the Chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

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 and internal control principles of the Company, and assist the Board to fulfill its responsibility over the audit. The duties and powers of the Audit Committee include:

1. Relationship with the Company's external auditor;

2. Review of the Group's financial information;

3. Oversight of the Group's financial reporting system, risk management and internal control systems; and

4. Performing the Group's corporate governance functions.

During the Reporting Period, one meeting was held by the Audit Committee. The attendance of each member is set out as follows:

Name of Director	Number of Meeting Attended
Mr. Lau Siu Ki	1/1
Mr. Zhong Renqian	1/1
Mr. Leung Ka Sing	1/1

Going forward, the Audit Committee will hold meetings at least twice a year to comply with its terms of reference.

During the Reporting Period, one meeting was held between the Audit Committee and the Company's external auditor. Going forward, the members of the Audit Committee will meet, at least twice a year, with the Company's auditor. At least one of the said meetings should be 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.

The Audit Committee had performed the following work:

(i) reviewed the Group's financial results for the six months ended 30 June 2019;

(ii) reviewed the effectiveness of the systems of internal control and risk management;

(iii) reviewed the external auditor's statutory audit plan and engagement letter;

(iv) discussed with the Company's external auditor on the internal control of the Group;

(v) reviewed and approved the scope and fees of the audit for the year ended 31 December 2019; and

(vi) reviewed the Group's financial results for the year ended 31 December 2019.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") consists of three members, being Mr. Lau Siu Ki, Mr. Leung King Sun and Mr. Leung. Mr. Lau Siu Ki currently serves as the Chairman of the 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 relating to 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 associates (as defined in the Listing Rules) is involved in deciding his own remuneration;

9. To consider and approve the grant of share options to eligible participants pursuant to the Share Option Scheme or any other scheme(s) of the Company;

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 from time to time.

No meeting of the Remuneration Committee was held during the Reporting Period. Going forward, the Remuneration Committee will hold at least one meeting each year and at such other times as its Chairman shall require. At the meeting, the Remuneration Committee will review the remuneration policy of executive Directors and senior management of the Company; assess performance of executive Directors and senior management of the Company; review the composition of senior management of the Company; discuss and recommend the remuneration packages of the Directors and senior management of the Company for the Board's approval; and review the terms of reference of the Remuneration Committee to consider any proposed changes that are deemed appropriate or advisable.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") consists of three members, being Mr. Ho, Mr. Lau Siu Ki and Mr. Leung Ka Sing. Mr. Ho currently serves as the Chairman of the 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;

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.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc.

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.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

No meeting of the Nomination Committee was held during the Reporting Period. Going forward, the Nomination Committee will hold at least one meeting each year to perform its duties.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the Code Provision D.3.1 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.

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.

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 2019.

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 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. Going forward, the Board will conduct such review at least once every year.

The Company has developed its 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. 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, concerns such as criminal offence, financial impropriety or other matters of the Company.

The Company has developed its inside information policy which provides a general guide to the Company's Directors, officers and all relevant employees of the Company to ensure inside information of the Company to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

COMPANY SECRETARY

The Company has engaged Ms. Lam Wai Yan ("Ms. Lam") as the company secretary of the Company (the "Company Secretary"). The primary contact person at the Company, whom Ms. Lam can contact, is Mr. Zhou Chuanbo, the Chief Finance Officer of the Company.

During the Reporting Period, Ms. Lam has taken no less than 15 hours of relevant professional training to update her skills and knowledge.

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 year ended 31 December 2019.

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 120 to 122 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 year ended 31 December 2019 is set out below:

Services rendered	**Remuneration paid and payable** *RMB'000*
Audit services	2,469
Review of interim financial statements	680
Continued connected transactions	130
Other professional services	2,714
Total	5,993

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

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, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) 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 Proposals at General Meetings

There is no provision allowing the Shareholders to move new resolutions at general meetings under the Companies Law of the Cayman Islands or the Articles of Association. The Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

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 will not normally deal with verbal or anonymous enquiries.

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 deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

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 announcement 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.

During the Reporting Period, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is available on the Company's website and the Stock Exchange's website.

INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

As the leading distributor of In Vitro Diagnostic ("IVD") products in the People's Republic of China (the "PRC"), IVD Medical Holding Limited (the "Company") together with its subsidiaries (the "Group" or "we") adhere to the environmental, social and governance ("ESG") management direction in accordance with the concept of sustainable development, are committed to progress effectively and responsibly against ESG affairs, and have integrated this key part into our business strategy as we know sustainability is a key to achieve continuous success in the future. We strongly believe that environmental protection, low carbon footprint, resource conservation and sustainable development will be the key trends in society, hence we will continuously and steadily satisfy the needs of our customers, contribute to the society, and also stimulate long term development of the Group.

The ESG Governance Structure

The Group has established the ESG working taskforce (the "Taskforce"). The Taskforce comprises of core members from different departments of the Group and is responsible for collecting relevant information and data on its ESG aspects for the preparation of the ESG reports. The Taskforce reports to the board of Directors (the "Board") regularly, assists in identifying the Group's ESG risks, and assesses the effectiveness of the Group's ESG internal control mechanism. The Taskforce also examines and evaluates the performance in different aspects such as environment, health and safety, labor standards, and product responsibility. The Board has set the general direction of the Group's ESG strategy, and ensures the effectiveness of ESG risk management and internal control mechanism.

SCOPE OF REPORTING

This Environmental, Social and Governance Report (the "Report") generally covers the core business of the Group and its subsidiaries in the PRC, including distribution business, maintenance services and self-branded products business. Data collection is limited to the core operating locations of some subsidiaries which are Vastec Medical Equipment (Shanghai) Co., Ltd. ("Vastec (Shanghai)") and Dacheng Medical Equipments (Shanghai) Co., Ltd. ("Dacheng"), including the offices located in different regions of the PRC as well as the warehouse in Shanghai. Unless specify otherwise, the ESG key performance indicator ("KPI") data is gathered and included under the Group's operational control mechanism. The Group will continue to extend the scope of disclosures when its data collection system and sustainable strategies are well developed.

REPORTING FRAMEWORK

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in the Appendix 27 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

Information relating to the corporate governance practices of the Group has been set out in the Corporate Governance Report on pages 66 to 80 of this Annual Report.

REPORTING PERIOD

The Report describes the ESG activities, challenges and measures being taken by the Group during the financial year ended 31 December 2019 (the "Reporting Period"). The Group has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide during the Reporting Period.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an essential part on continuously developing the sustainability performance of the Group, hence we value our stakeholders and their feedback regarding our businesses and ESG aspects. In order to understand and address their key concerns, we have maintained close communication with our key stakeholders, including but not limited to shareholders and investors, customers, business partners and suppliers, the Group's employees, as well as the community, non-governmental organisations ("NGOs") and media.

In formulating our operational strategies and ESG measures, the Group takes into account the stakeholders' expectations through different stakeholder engagement methods and communication channels. The Group's communication channels with the key stakeholders and their respective expectations are as follows:

Stakeholders	Communication Channels	Expectations
Shareholders and investors	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars	• Compliance with relevant laws and regulations • Latest information disclosure of the corporate in due course • Financial performance • Corporate sustainable development
Customers	• Customer service hotline and email • Business cooperation • Company website	• Product and service responsibility accomplishment • Customers' information and privacy protection
Business partners and suppliers	• Supplier meetings and events • Supplier performance evaluation	• Fair competition • Business integrity and reputation • Mutual benefits
The Group's employees	• Regular performance appraisal • Trainings and seminars • Employees announcement and management notices • Email	• Health and safety • Equal opportunities • Remuneration and benefits • Career development
The community, NGOs and media	• ESG reports • Charitable events	• Contribution to the community • Environmental protection • Compliance operations

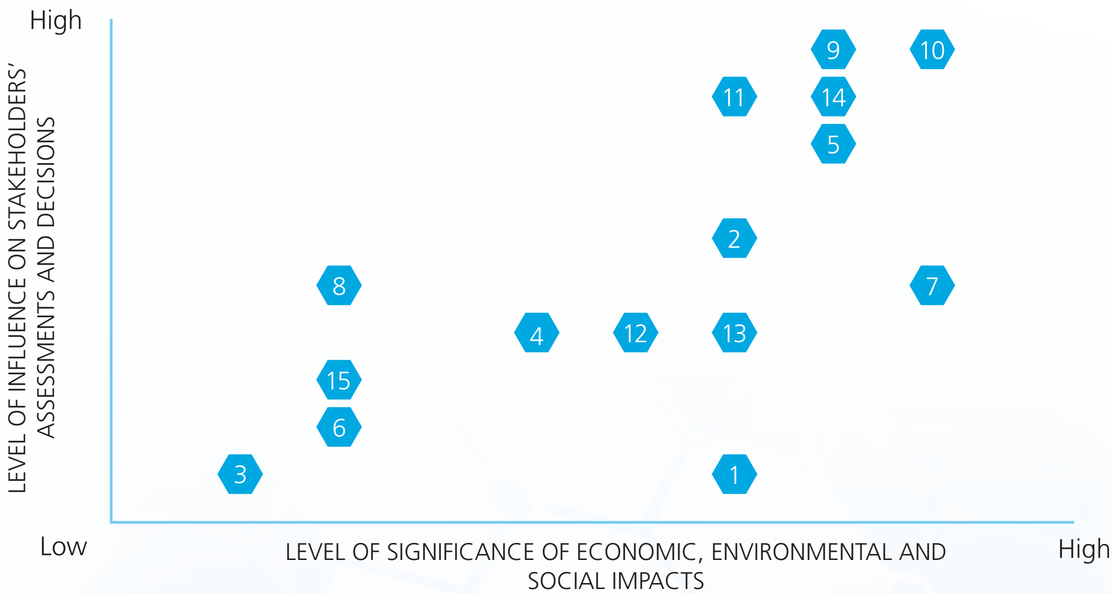
We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community on a continuous basis.

MATERIALITY ASSESSMENT

The Group values stakeholder's opinion, and identifies and determines material topics included in the Report through feedback from relevant stakeholders. The Group's management and staff in major functions are involved in the preparation of the Report, so to assist the Group in reviewing its operations and identifying the relevant ESG issues, and assess the importance of those relevant matters to our business and stakeholders. We have compiled a survey in accordance with the identified material ESG issues to collect information from relevant departments and business units of the Group.

The following matrix is a summary of the Group's material ESG issues:

The Group's Materiality Matrix during the Reporting Period



Environmental
1. Emissions Control
2. Waste Management
3. Use of Resources

Social
4. Employment
5. Employee Health Management
6. Training Management
7. Prevention of Child and Forced Labour
8. Supply Chain Management
9. Fair and Open Procurement
10. Quality Control
11. Customer Services
12. Privacy Protection
13. Intellectual Property ("**IP**") Rights
14. Anti-corruption
15. Community Investment

CONTACT US

We welcome stakeholders to provide valuable opinions and suggestions on the Report or the Group's performance on sustainable development via the following methods:

Address: Room 1703, Grandtech Centre, 8 On Ping Street, Shatin, Hong Kong
Telephone: (86)4008209809
Email: ivd@ivdholding.com

A. ENVIRONMENTAL

A1. Emissions

The Group attaches great importance to good environmental management and strives to protect the environment so to fulfill social responsibilities of the Group. The Group strives to protect the environment through the implementation of control activities and monitoring measures in its business activities and workplace. We are committed to promoting a green environment by introducing environmentally friendly business practices, educating its employees to enhance their awareness on environmental protection and complying with relevant environmental laws and regulations.

We have formulated relevant environmental policy and established relevant internal control mechanism in workplace and operations. We strive to implement relevant monitoring measures, introduce environmentally friendly business practices into operations, raise employees' environmental awareness and comply with relevant laws and regulations simultaneously, in order to reduce the negative impacts on the environment. At the same time, we continuously seek for opportunities to formulate and implement environmental measures within the policy framework to improve our environmental performance. We believe the Group has set a good example in fulfilling corporate social responsibility through various measures on energy conservation and use of resources, and has established a corporate image that promotes environmental protection and low carbon operations.

The Group strictly complies with the Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Prevention and Control of Atmospheric Pollution Law of the People's Republic of China, Prevention and Control of Pollution from Environmental Noise Law of the People's Republic of China, Prevention and Control of Environmental Pollution by Solid Wastes Law of the People's Republic of China and other laws and regulations related to environmental protection in the PRC, and has established environmental protection responsibility system, actively adopts environmental protection measures on the environmental pollution generated during business operations. During the Reporting Period, the Group was not aware of any material non-compliance with related laws and regulations on exhaust gas and greenhouse gas ("GHG") emissions, sewage discharge and generation of hazardous and non-hazardous waste, etc. that would have a significant impact on the Group.

The Group will continuously improve our environmental management system to minimize the negative impacts on the environment, achieve targets on reducing GHG emissions and non-hazardous wastes.

Emission Control

Exhaust Gas Emissions

As an IVD product distributor, the Group's major sources of exhaust gas emission are originated from petrol consumed by vehicles, and no significant exhaust gas emissions was generated during its business operation. Yet we are committed to minimizing the exhaust gas emitted from our business operation, the following are the emission reduction measures we have taken on vehicles emissions:

- Choose the shortest route when vehicles are travelling between the Group's operating locations and destinations to reduce consumption of gasoline and diesel;
- Turn off engines for idling vehicles; and
- Conduct regular vehicle maintenance to ensure efficient use of fuel.

Through the above measures, employees' awareness on emission reduction has been enhanced.

During the Reporting Period, exhaust gas emissions performance was as follows:

Types of exhaust gas	Unit	Emissions
Sulphur Oxides (SOx)	kg	2.07
Nitrogen Oxides (NOx)	kg	339.69
Particulate Matter (PM)	kg	20.32

GHG Emissions

The major sources of the Group's GHG emissions are generated from diesel and gasoline consumption of vehicles (Scope 1) and electricity consumed during operation (Scope 2). The Group actively adopts electricity and energy conservation measures to reduce GHG emissions. Apart from the measures described above in the section headed "Exhaust Gas Emissions" under this Aspect, the Group has formulated "Policy on Facilities and Equipment Maintenance, Verification and Calibration" to ensure the normal operation of the equipment on detecting temperature and humidity in the warehouse, and control temperature and humidity of the warehouse through temperature and humidity records to control the use of energy in the warehouse. Besides, we have active adopted other environmental conservation measures, the corresponding measures are described in the sections headed "Energy Consumption" of Aspect A2.

Through the above measures, employees' awareness on carbon reduction has been enhanced.

During the Reporting Period, the GHG emissions performance was as follows:

Indicator[1]	Unit	Emissions
Direct GHG emissions (Scope 1)	tCO_2e	374.30
Indirect GHG emissions (Scope 2)	tCO_2e	346.44
Total GHG emissions (Scope 1 and 2)	tCO_2e	720.74
Total GHG emissions intensity	tCO_2e/employee[2]	1.25

Note:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by HKEX, "Global Warming Potential Values" from the IPCC Fifth Assessment Report, and the latest emission factors of China's regional power grid basis.

2. As of 31 December 2019, the Group had 578 employees. This data is also used for calculating other intensity data.

Sewage Discharge

We do not consume a significant volume of water in our business activities, hence our business activities did not generate material discharges into water during the Reporting Period. Since the sewage discharged by the Group will be discharged into the municipal sewage pipe network and then treated, and most of the water supply and discharge facilities are provided and managed by property management company, the amount of water consumption of the Group represents the wastewater discharge volume, which is 2,507 cubic meters. The corresponding water conservation measures will be described in the section headed "Water Consumption" under Aspect A2.

Waste Management

The Group adheres to the waste management principle and strives to properly manage and dispose wastes generated by its business activities. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development. The distribution business of the Group strictly complies with Prevention and Control of Environmental Pollution by Solid Wastes Law of the People's Republic of China, that regulates the generation, collection and disposal of waste.

Hazardous Wastes

Due to the Group's business nature, the hazardous wastes we generated are limited to an insignificant amount of toner cartridge for printing in office. We arrange suppliers to recycle any toner cartridge we consumed, and ensure relevant environmental laws and regulations are complied. In case any other hazardous wastes are produced, we will engage a qualified chemical waste collector to handle such wastes.

Non-hazardous Wastes

The non-hazardous wastes generated by the Group's business activities are mainly paper used at the office. The solid waste generated during operation must not be discarded at will under our regulations to avoid secondary pollution. To promote waste reduction, we promote waste sorting and waste reduction from source, and strive to establish a digitalized office. To make good use of the online system in office, general administrative notices and data transmission, etc. are carried out using internet system in order to avoid printing and copying documents, reduce the use of paper and encourage the use of double-sided printing. We recommend employees to sort out recyclables and non-recyclables, for example wastepaper and packing box are listed and treated under "Recyclables" waste. The Group has implemented various plans and events to encourage employees to participate in paper reduction management in office and warehouse, including:

- Recommend double-sided printing and copying where possible;
- Circulate documents and communicate through electronic media to minimize paper consumption;
- Require employees to use waste paper when testing printers;
- Collect one-sided paper with collection boxes for reuse;
- Set up collection boxes next to each copier and printer for collecting one-sided paper;
- Place environmental protection messages on office equipment; and
- Suggest to use recycled paper.

With the above measures, employees' awareness on waste reduction has been enhanced.

During the Reporting Period, the non-hazardous waste discharge performance was as follows:

Types of non-hazardous waste	Unit	Disposal
Paper[3]	tonnes	2.16
Paper disposal intensity	tonnes/employee	0.004

Note:

3. Actual paper consumption was approximate to 432,500 sheets.

A2. Use of Resources

With an aim of actively promoting efficient use of resources, the Group monitors the potential impact on the environment caused by its business operation and promotes a green operational environment to minimize the impact of the Group's operation on the environment. We insist on using resources reasonably and efficiently to conduct reasonable and effective control and management on the environment factors during the Group's operation. The Group has formulated relevant policies and procedures to manage the efficient use of resources. The Group regulates the use of water and energy such as electricity, and focuses on managing energy intensive equipment, in order to standardizes procedures on operating equipment so as to enhance efficient use of resources. In addition, to achieve sustainable development on the environment, the Group has established green practice guidelines in office and regularly circulates environmental messages and practical suggestions on an environmentally friendly lifestyle to employees to reduce the impacts on environment caused by office operations.

The Group continuously implements various measures in order to introduce resource efficiency and environmental protection measures to the Group's operations, and is committed to optimizing the use of resources in the process of business operations. The Group has set the following goals for 2020 concerning the resources consumed during daily operation:

1. Reduce or maintain the electricity consumption intensity level during the Reporting Period

2. Reduce or maintain the water consumption intensity level during the Reporting Period

3. Reduce or maintain the paper consumption intensity level during the Reporting Period

Energy Consumption

During daily operation, the major sources of the Group's energy consumption are diesel and gasoline consumption for vehicles and electricity consumption in operation.

The Group controls the electricity consumed by facilities and equipment in the warehouse through "Facilities and Equipment Maintenance, Verification and Calibration Policy". The Quality Management Department is responsible for organizing relevant department to verify and calibrate relevant facilities and equipment. Warehouse keeper of the Logistics Department is responsible for the daily maintenance on facilities and equipment in the warehouse, and to ensure the warehouse is equipped with facilities and equipment that have light protection, ventilation, dust-proof, damp-proof, pest control, lighting and fire protection that meets the IVD reagent storage requirement.

Also, the Group has implemented relevant energy use efficiency program to achieve the goal of energy saving and efficient use of energy, the relevant measures are as follows:

- Set all printers, copiers and computers to energy-saving mode where possible;
- Set the room temperature at between 20°C to 25.5°C, with the most suitable temperature at 25.5°C;
- Turn off unnecessary lightings;
- Encourage employees to switch off idle equipment, computers and lightings when not in use or after work;
- Monitor monthly energy usage and investigate material differences;
- Use energy-saving office equipment and computers;
- Purchase energy-saving equipment only when it is necessary to replace old electrical appliances or for new business needs; and
- Post energy-saving slogans in visible area to infiltrate the awareness of energy conservation and environmental protection to the work and life of every employee.

With the above energy-saving measures implemented, employees' awareness on energy conservation has been enhanced.

During the Reporting Period, the Group's electricity consumption and other energy consumption were as follows:

Types of energy	Unit	Consumption
Diesel[4]	MWh	74.01
Diesel consumption intensity	MWh/employee	0.13
Petrol[5]	MWh	1,294.47
Petrol consumption intensity	MWh/employee	2.24
Electricity	MWh	423.91
Electricity consumption intensity	MWh/employee	0.73

Note:

4. Actual diesel consumption was approximately 6,915.00 litres.

5. Actual gasoline consumption was approximately 133,569.65 litres.

Water Consumption

The Group's water consumption is mainly water consumed in office, with an insignificant amount of water consumed in warehouse. To enhance water efficiency of the Group, we have adopted the following measures:

- Use water-saving appliances in water facilities where possible;
- Turn off water-taps after using to avoid running, overflowing, dripping and leaking of water;
- Notify relevant department if problems are found to avoid wasting water resources; and
- Post environmental protection messages in pantry and toilets to remind employees on water conservation.

Through the implementation of these water-saving measures, employees' awareness on water conservation has been enhanced. Due to the locations of our offices and warehouses, we do not encounter any significant issue in sourcing water.

During the Reporting Period, the Group's water consumption was as follows:

Indicators	Unit	Consumption
Water	m^3	2,507.00
Water consumption intensity	m^3/employee	4.34

Use of Packaging Material

Despite that the Group's business does not involve production process, we consume packaging material for transportation of products, which include cartons and wooden boxes. We have formulated guidelines for packaging material usage, and conduct annual review on packaging material consumption.

During the Reporting Period, the Group's packaging material consumption was as follows:

Types of packaging material	Unit	Consumption
Carton	kg	84,450.00
Wooden box	kg	17,265.00

A3. The Environment and Natural Resources

The Group pursues the best practice with the environment and focuses on its business impact on the environment and natural resources. Aside from abiding to the relevant environmental laws and regulations and properly protect the natural environment, the Group also finds ways to integrate the concepts of environmental protection into its internal management and daily operations and endeavours to achieve the goal of environmental sustainability. We understand our responsibility to minimize the negative impact on the environment caused by our business operations in order to achieve sustainable development and create long-term value for our stakeholders and the community. We continuously monitor whether our business operations have any potential impact on the environment, and minimize the impact of our operations on the environment by promoting green operation. If applicable, we will adopt green procurement strategy and the most practical technology to protect natural resources.

Improve Working Environment

To enhance working efficiency, the Group is committed to providing employees a comfortable and green working environment. We also strive to maintain clean and tidy environment in the workplace. We inspect the office area regularly to ensure that a good working environment is maintained. Once the Group has promptly found problems within the workplace, we will take precautionary measures to minimize the potential harm to employees. In addition, the Group will regularly monitor the indoor air quality of the workplace, and will clean air-conditioning systems regularly to maintain good indoor air quality.

B. SOCIAL

B1. Employment

The Group actively adheres to the laws and regulations such as the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China and the Labour Law of People's Republic of China. The Group has formulated the operating mechanism and documents of relevant policies on administration and human resources as the "Employees Handbook", so as to provide a healthy, pleasant and forward-looking working atmosphere for our employees, and to guide employees to actively integrate their personal desire into the long-term development of the Group. During the Reporting Period, the Group was not aware of any material non-compliance with related laws and regulations on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits that would have a significant impact on the Group.

Employees are the largest and most valuable asset and the core of competitive advantage of the Group, and they provide the Group with driving force for continuous innovation. The Group adheres to a "people-oriented" business strategy, focuses on the introduction, absorption and learning of outstanding talents, advanced technology and modernized corporate management method. The Group respects and protects the legitimate rights of every employee, standardizes labour employment management, protects occupational health and safety of employees, strengthens democratic management, protects the personal interest of employees, fully respects and values the motivation, initiative and creativity of employees, and is committed to constructing a harmonious labour relationship with its employees.

As of 31 December 2019, the Group had 578 employees, with its composition shown as below:

	Number of Employees	Percentage
By Gender (Full-time only)		
Male	349	60.91%
Female	224	39.09%
By Age Group (Full-time only)		
<30	284	49.56%
30 – 50	274	47.82%
>50	15	2.62%
By Geographical location (Full-time only)		
Shanghai	168	29.32%
Others (Other than Shanghai)	405	70.68%
By Employment Type		
Full-time	573	99.13%
Part-time	5	0.87%

Recruitment, Promotion and Dismissal

Adhering to the recruitment principle of "Merit selection; competitiveness in good faith", the Group actively implements talents retain strategy, continuously establishes and improves talents recruitment policy. Our "Vastec Human Resources Management Policy" has detailly listed out the application, process, prohibited matters and responsibility of the recruitment process. Integrated Management Department is responsible for the human resources management of the Group, to comply with the national policies and regulations related to human resources, and to formulate and implement the strategies and plans on human resources in accordance with the Group's situation. The Group adheres to the recruitment principle of equality, adopts a recruitment process based on merit selection against the job criteria applied, which the job applicants are assessed based on their mindset, knowledge, morality, ability, experience and physique, etc, in order to continuously attract and recruit outstanding talents.

The Group has a clear basis and process for management of employees' promotion, transfer and demotion, and we standardize the dismissal process to protect the interests of both employees and the Group. The relevant process and details are listed in the "Employees Handbook". The major considerations of the Group are the attitude, professional skills and performance of the employees. Employee's promotion is generally recommended by their immediate supervisor and decided through assessment. We have implemented a fair and open assessment system to provide employees with the opportunity for promotion and development, so as to discover their potentials.

Dismissal of the Group's employees is categorized into "death", "retirement", "resignation", "dismissal or layoff", and "termination", where the definition and relevant procedures of each dismissal are listed in "Employees Handbook" and "Human Resources Management Policy". All dismissal procedures must comply with the requirement of relevant laws and regulations and the occupational requirements.

Remuneration and Benefits

The Group has established a relatively fair, cyclical, reasonable and competitive remuneration system, and pays employees based on the principles of fairness, competitiveness, motivation, reasonableness and legitimacy. The Group provides a competitive salary structure, with various considerations, in which the Group's operating situation, socio-economic prosperity and employees' performance, ability and contribution to the Group's business are the major considerations on remuneration.

The Group has adopted a performance-based remuneration policy, where employees' remuneration is composed of basis salary and performance salary. We also issue year-end bonus, in which the amount is adjusted based on the employee's performance appraisal and the Group's operation situation, determined and issued by the General Manager. The Group pays "five social insurance and one housing fund" for its employees in compliance with the laws, namely endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund to ensure employees are covered by social insurance.

According to the requirements of national and regional laws and regulations such as the "Labour Law of the People's Republic of China", the Group protects the rights and interests of its workers, respects employees' rights to rest and leave. Our employees enjoy paid annual leave and other leaves, such as paid marriage leave, paid maternity leave, paid funeral leave, etc., which are all established in accordance with the relevant national regulations.

Equal Opportunities and Anti-discrimination

The Group adheres to the three attitudes towards employees, which are the corporate culture of "Everyone is equal", "Respect each other" and "Just, open and fair", strictly complies with relevant national and regional laws and regulations, and has developed "Employee Handbook" to list out all activities related to recruitment, employment, promotion, benefits and other social events held by the company are treated equally and free from any discrimination. The Group hopes that a well-developed management system provides every employee a competitive environment with good faith, that can attracts and retains outstanding talents.

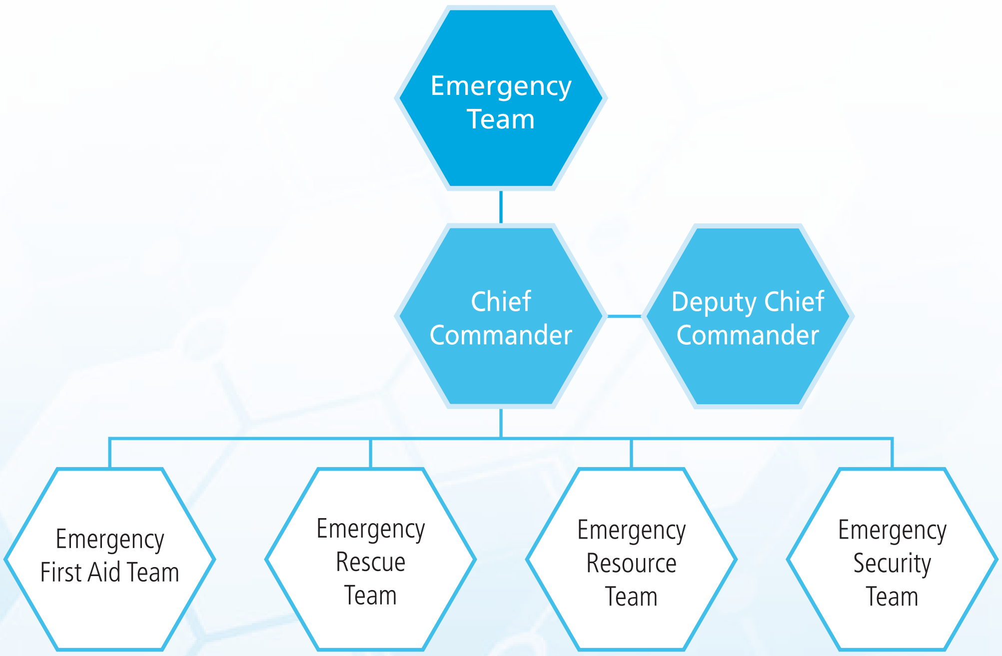
B2. Health and Safety

The Group highly values employees' health and safety, and is committed to providing employees a healthy, safe and comfortable working environment. We strictly comply with relevant laws and regulations such as the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, the Production Safety Law of the People's Republic of China, the Labour Law of the People's Republic of China and the Fire Protection Regulation of the People's Republic of China. During the Reporting Period, the Group was not aware of any material non-compliance with health and safety related laws and regulations that would have a significant impact on the Group.

The Group is committed to providing safe working environment to our employees and implements safety related national laws and regulations, in order to prevent and reduce accidents as well as to ensure the safety of employees and national properties. We implement occupational safety guidelines for all employees, that list out our occupational safety policy and promote workplace safety. We have also adopted internal training plan and the code of workplace health and safety procedures, in order to educate the employees on the importance of proper workplace health and safety practices.

Emergency Organizational System

The Group's Emergency Organizational System is divided into internal emergency organization and social emergency support. Internal emergency organization has established a Accidents Emergency Team, which is led by the General Manager as the Chief Commander and the safety responsible personnel as Deputy Chief Commander, and the responsible person from each business departments as unit members, responsible for organizing and directing every aspects to handle major accidents, and to direct emergency rescue and control the spread of the accident. The Emergency Team includes four unit: Emergency First Aid Team, Emergency Rescue Team, Emergency Resource Team and Emergency Security Team. The Emergency First Aid Team is responsible for aiding and performing immediate treatment for the injured at the accident scene and transporting serious injured person to hospital. Emergency Rescue Team is responsible for speedy rescue of people in danger and injured, transportation of various property under safe conditions, and responsible for fire extinguishing, searching and rescuing injured and sterilizing the contaminated area after accident. Emergency Resource Team is responsible for communicating instructions for the Emergency Team, contacting and supervising the work of each team, reporting issues of the cooperation between each team, reporting the accidents to Zhangjiang Hi-Tech Park Safety Production Monitoring Team, Pudong New District Safety Production Monitoring Authority, Fire and Environmental Department and asking for their support. Emergency Security Team is responsible for protecting and directing people around the scene of the accident, evacuation and transportation of supplies.



Employee Health Management

In order to create a good working environment for our employees, we enhance safety inspection to ensure the safety of equipment and facilities. For health management of employees, the Group has formulated "Hygiene and Employees' Health Management Policy" to closely monitor the health conditions of all employees through annual health check-ups. Warehouse responsible personnel should inspect the conditions and environment of warehouse regularly, and ensure the facilities and equipment for the prevention of fire, pollution, insects and rats are safe. In addition, for employees engaged in quality management, acceptance, warehouse management, etc. of medical device that have direct contact with medical device, they are required to undertake health check-ups from hospitals before performing their duty, with the items and results of the health check-ups meet the needs of quality management. They should undertake at least one health check-ups every year, and conduct the health check-ups strictly according to the required health check-ups items.

To prevent occupational diseases and injuries caused by occupational hazards, the Group has also arranged occupational health check-ups for employees and established "Employee Health File". The Administrative Department is responsible for arranging the health check-ups for all employees and archiving the medical files.

B3. Development and Training

The Group focuses on the establishment of the corporate's internal training management and development system, encourages employees to conduct further education on business through organizing regular and irregular job training and other skills training, and implements policy of "Multi-ability in one position" to help with the Group's sustainability development as well as the growth and development of employees.

Training Management

The Group has formulated "Staff Training and Assessment Policy", and listed out relevant training process in "Human Resources Management Policy" to standardize staff training management. Training can be divided into internal and external training, individual and centralized training, expert visits and study tours. Through analyzing assessment results, we confirm the personnel need to be trained and training contents, and develop training plans accordingly with the approval of Integrated Management Department. The Group will also arrange relevant personnel to undertake regular training and assessments on regulations related to national medical device management, administrative regulations, medical device knowledge and ethical knowledge, etc. The Group supports and encourages employees to participate in studies related to their jobs and professions, and studies relevant to their degree and titles during their spare time. The Quality Management Department is responsible to keep relevant records on each training and establish employee training file to record each lecturer, training personnel, time, location, content and evaluation etc. of the training. The Group also values the good relationship established with suppliers, and receives their necessary technical support and training.

During the Reporting Period, the Group's number of employees received training and their training hours were as follows:

Trained employees (employee)	Total training time (hour)	Average training time per employee (hour/employee)
488	919	1.88

Training Programs

The Group's training includes three categories: pre-job training, on-the-job training and professional training. Pre-job training is organized by Training Manager for new employees before on board. The training contents include company introduction, explanation on Human Resources Management regulations, knowledge on corporate cultures, and the description of job requirements, procedures and responsibilities. On-the-job training provides skills training for existing employees to improve their skills for the position or stimulate skills for second position. The training is organized by Training Manager that adopts the combination method of internal and external training, and summarize them to form a fixed training material. Professional training is specifically for outstanding employees, that is tailored for the needs of the business. Professional training includes professional courses by training institutions, inviting experts for special lectures, off-the-job learning and study abroad.

In addition, employees working on quality management are arranged by the Group to receive continuing education and training organized by Drug Supervision and Management Department. During the Reporting Period, the Shanghai Engineering Department of the Group has held basic training for new engineers, and invited professional personnel as lecturers. To improve the overall level of the Group's employees, we enhance employees' knowledge on medical device through technical training, and familiarize themselves with instrument settings, sample handling process, etc. to establish a good corporate image, create and excellent corporate culture and atmosphere.

B4. Labour Standards

Prevention of Child and Forced Labour

The Group has complied with relevant laws and regulations about labour employment, include but not limited to Labour Law of the People's Republic of China, Law of the People's Republic of China on the Protection of Minors, and Provisions on the Prohibition of Using Child Labour. During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour related laws and regulations that would have a significant impact to the Group.

The Group strictly prohibits our business in Mainland China from hiring any child and forced labour. The Group has clearly stated in the recruitment regulations of only recruiting employee with age above 16, and require recruits to provide true and accurate personal information at the beginning of employment. Recruitment staff will stringently verify their information including medical certificates, academic certificates, ID cards, band accounts, etc. The Group has established a comprehensive recruitment process that checks the candidates' background and a formal reporting procedure for handling any exceptions, as well as conducts regular inspections to prevent any child labour or forced labour in its business operations.

In addition, the Group's employees work overtime on a voluntary basis to avoid any violation of the labour standards. The Group prohibits any personnel in any department to detain employees' ID card, deposit or salary for any reasons, and will never use bonded labour. The Group also does not allow corporal punishment, mental abuse and fines, and prohibits punitive measures, management methods and behaviours in a form of abusive, corporal punishment, violence, mental stress, sexual harassment (including inappropriate language, posture and physical contact) and sexual abuse for any reasons.

B5. Supply Chain Management

As an IVD products distributor, the Group's suppliers are mainly IVD manufacturers. According to the marketing research and the information collected during our daily operation process, the Group insists on carefully selecting brands and products which have favourable growth potentials, keeping in touch with IVD manufacturers and initiating negotiation and procurement process. We value the potential environmental and social risk management within the supply chain, evaluate the suppliers' performance on environmental and social aspects during procurement processes, and only purchase products which meet related standards. Also, we evaluate the compliance level of suppliers on environmental and social aspects, in order to protect the environment and prevent social risks within the supply chain. The Group promises to continuously and actively search for suitable new brands or products and introduces to customers, and take much count of the management of potential environmental and social risks so as to assurance the products' origin, standard and quality.

Supplier Quality Management

The Group upholds the procurement principle of "making purchases based on the stock and sales demand, achieving no backlog and no out of stock to control stock reasonably", and has formulated "Procurement, Products Receiving and Quality Acceptance Check Policy" to control the procurement and acceptance checking processes so as to ensure purchased medical device products meeting the requirements. Our procurement officers in the logistic department are responsible for purchasing medical device products from qualified suppliers and the employees in warehouse are responsible for acceptance check on the purchased medical device products. According to the laws and regulations of medical devices, we require suppliers to provide "Medical Devices Registration Certificates" before purchasing medical devices so as to ensure the purchased medical devices are legally valid. The Group has established strict and regulated procurement mechanism, including regulated procurement, products receiving and acceptance checking processes to guarantee the safety of medical devices after sale and laying the foundation of requirements for products received.

New Supplier Management

In order to strengthen the corporate operation quality control and ensure the medical device products with reliable quality are purchased from legally qualified corporations, the Group has formulated "New Suppliers and New Variety Review Policy" to regulate the reviewing work towards the new suppliers' legal qualification, quality reputation and the new varieties' validity and quality reliability. Such departments including the commerce department and the sales department are responsible for analyzing market outlook and operating benefits. The Group has strict and mature endorsement process for new suppliers, including collecting licenses, site visiting and conducting high spot review on whether quality control system can satisfy the requirement on medical devices' quality. Before conducting procurement activities, the Group provide each department materials of the new variety for a strict verification and review whether the medical devices fulfill the production scope regulated by the "Permit for the Medical Device Production" of the supplier, in order to ensure the legality and quality reliability of the supplier, and grasp the quality status of the new medical device products comprehensively.

Fair and Open Procurement

The Group also highly values the anti-corruption work of the procurement and other stages, and propagates active, fair, honest and legal competition behaviour. The Group's procurement process rigorously complies with the Tendering and Bidding Law of the People's Republic of China and other related regulations, and operates under an open, fair and impartial condition with no discrimination against any suppliers. Employees and other individuals who have interests with relevant suppliers will not be allowed to participate in related procurement activities. Each employee should treat suppliers fairly, and not allowed to conduct improper statement of substantive event or any unfair trades or behaviours towards the substantive event through manipulation, concealment, misusing of information privilege. The Group also concerns about suppliers' and partners' integrity. We only select suppliers and partners who have good track records on operation with no serious violations on business ethics. We have zero tolerance for bribery and corruption, and strictly prohibit suppliers and partners from obtaining procurement contracts or partnerships through any forms of interest transfer.

B6. Product Responsibility

The Group attaches great importance to product quality and corporate reputation, actively ensure our product and service quality through internal controls, and is committed to selling quality products that meet the international standards with the aim of "Providing high cost-performance ratio product and service to the inspection industry". We also maintain communication with customers to ensure we understand and meet their needs and expectation. We hope to understand customer's satisfaction, in order to continuously improve our products and services, so as to achieve 100% customer satisfaction. The Group has complied with laws and regulations related to products and services, including but not limited to the Regulation on the Supervision and Administration of Medical Devices, Product Quality Law of the People's Republic of China, Advertising Law of the People's Republic of China, Law of the People's Republic of China on the Protection of Consumer Rights and Interests, Trademark Law of the People's Republic of China and Patent Law of the People's Republic of China.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to health and safety of products and services, advertising, labelling and privacy matters that would have a significant impact on the Group. Also, the Group did not have any recalled products due to safety and health reasons and did not receive any complaints in relation to product and services, which our customer satisfaction also meets the expectation.

Quality Management System

The Group highly values the importance of quality control to our operations. We have formulated "Inspection and Evaluation for the Implementation of Quality Management Policy" to establish a monitoring mechanism for quality management. To promote continuous improvement on the quality management system, we organize at least one inspection on the implementation of quality management system annually to ensure the effective implementation of each quality management system, standards and operating procedures. The Quality Management Department is responsible for managing the execution of the policy, inspecting every execution, implementation and record standardization of the quality management policy, position management standard and operating procedures. A "Quality Management Policy Self-examination Report" points out the potential problem and reports to major responsible person of the corporate and responsible person of quality management to seek approval on the proposed rewards and penalties method and corrective measures.

In addition, we have set the "Quality Management Self-examination Policy" to regulate the self-examination of quality management, and carry out annual self-examination on quality management system in year end to ensure the quality management system is continuously in compliance with the requirements of the "Medical Device Operation Quality Management Specifications" and the documents of the Group's management system. The self-examination is carried out by the Quality Management Department of the Group through reviewing documents and records, on-site inspection etc., in order to examine the compliance and evaluate the effectiveness of the quality management system. The "Quality Management System Self-examination Report" is formulated, which is reviewed by the management representative of the Group, and is reported to Food and Drug Administration after being approved by the General Manager.

We have formulated "Quality Management Documents Management Policy" in order to facilitate the documentation, modification, review, approval, revocation, release and storage control procedure of quality management documents. We have set "Document Issue and Retrieve Registration Form", "Document Modification Request Form" and "Document Directory Listing", etc., to ensure the valid versions of documents are available at all locations of the Group.

Quality Control

To enhance the management of dispatch products and ensure the safety and effectiveness of the medical devices sold, the Group has formulated "Medical Device Dispatch and Review Management Policy" to standardize the management on all dispatch products. Following the principle of "First in, first out", the Group requires the warehouse keeper of the Logistics Department to take the responsibility for the review of the delivery products, and must carry out detailed review and inspection of the product entity according to the purchase order. Any inconsistency with customer's purchase order or unqualified appearance found during the review process must be corrected, to ensure the quantity is accurate, quality is satisfying and packaging is firm. If problems are discovered, such as abnormal sound or liquid leakage are found inside the packaging of medical device, the outer packaging is damaged, contaminated, the seal is not strong enough and damaged or the gasket is broken, the delivery must be terminated and reported to Quality Management Department. We have "Dispatch Review and Delivery Record" for inspectors to fill in after inspection, which the record should keep until effective date or two years after expiry.

The Group has also established "Expiry Management Policy" to ensure all expiry of the medical devices are under controlled and to enhance the management of expiry date of the medical devices. Logistics Department is responsible for arranging and summarizing the inventory of the medical devices that are soon expired, and urging the Sales Department to adopt some quick sales measures and reporting the inventory situation to the Quality Management Department and Sales Department regularly. The selling of the medical devices should issue invoice according to the principle of "First produce, first out; soon expire, first out; dispatch by batch". The products should be clearly marked and stored according to their batch number. The Group can only sell products with expiration date more than six months, products with close expiry date cannot be purchased and accepted to the warehouse. Logistics Department needs to timely report to Quality Management Department of the IVD reagents with less than six months expiration to ensure the medical device sold are safe and effective.

The Group highly values the storage, maintenance and delivery of products, so as to ensure management of the quality of the medical device inventory and delivery process. The Group has formulated the "Warehouse Storage and Maintenance Management Policy" and established storage and maintenance procedures, while the warehouse keeper of Logistics Department is responsible for the storage and maintenance management after purchasing the medical devices to ensure the medical device in the warehouse are safe and effective. The refrigeration meets the storing temperature requirement of the product, and the warehouse is equipped with facilities such as shelves and underlay. The maintenance of the medical devices also subjects to strict regulations, in which quality inspection is carried out on all products in stock every three months to examine if there is any unusual situation on the appearance, packaging and expiry date of the products in stock, where extra care is needed on products with long storage, close expiry date and new products. The warehouse keeper monitors the temperature and humidity of the room temperature warehouse at least two times in every morning and afternoon, in order to check whether the temperature and humidity of the warehouse meets the requirement. When the temperature and humidity of the warehouse exceed the standardized range, the warehouse keeper will adopt corresponding adjustment and control measures and record on the "Product Warehouse Temperature and Humidity Record" which will be kept for two years. Refrigerated warehouse is equipped with automatic record alarm device on temperature and humidity to perform real-time monitoring. When the temperature and humidity exceed or fall below the range of the refrigerated warehouse, the system will automatically send emergency message to the mobile phone of the quality management personnel and facilitate them to take timely emergency measures. Also, we have set the "Medical Device Delivery Management Policy" to regulate medical device delivery, to adopt different delivery methods according to the physical and chemical properties of the medical devices, and to ensure timely deliver to customers and the quality of medical devices is not affected during delivery. We require the warehouse delivery staff of the Logistics Department who is responsible for product distribution and delivery to strictly follow the delivery procedures, including correct loading in accordance to the packaging to prevent damage to medical device and adopt waterproof, heatproof and shock-proof measures to reduce damages during delivery; using refrigerated trucks or insulated containers for delivery of refrigerated medical devices to real-time monitor and record the temperature data of the refrigerated medical equipment; complying with delivery operation regulations and transit time limit, delivery upon receipt, product return etc., as well as delivery on time and shorten storage time to ensure the quality and safety during delivery. We also collect, track, report and manage medical device adverse event information for medical devices operated by the Group, in order to implement effective monitoring, and understand the use of medical devices.

Unqualified Products Handling

The Group has established procedures for the identification, labelling, isolation and disposal of unqualified products and have formulated the "Unqualified Medical Devices Management Policy", in order to ensure that all unqualified medical devices are under controlled and to avoid misuse of the unqualified medical devices. The Quality Management Department is responsible for the confirmation of unqualified products, handling procedures of the confirmation, and filing of relevant records. Personnel in charge of quality is responsible for the decision of disposal of unqualified products. Warehouse keeper is responsible for identification and labelling of unqualified products, and processed by relevant department. We will identify, record and isolate any unqualified products found during the inspection process, including medical devices with quality problem and the identified model announced by Medical Devices Monitoring Management Department. We will reject the unqualified products found during inspection and return to the supplier. For the unqualified products found during maintenance inspection in warehouse and dispatch review, Logistics Department will immediately stop the selling system to achieve the control management of unqualified products.

If we receive notification on recalling products from medical device manufacturer, the Quality Management Department will immediately stop selling the product in accordance with "Medical Device Product Recall Policy", assist the medical device manufacturer to control and recall the defective medical devices, communicate and provide feedback on recalling messages to medical device manufacturer in a timely manner, as well as document and keep the recall record of medical device.

Customer Services

The Group highly values the importance of customer services, and believes that customer satisfaction is one of the key factors for the sustainable development of the Group's business.

The Group has formulated the "Sales Management Policy" and established sales management procedures, in order to standardize selling procedure including sales order, sales contracts and sales records so as to satisfy customer's requirement. Salesperson from Business Department is responsible for accepting sales order from customer and establishing correspondence sales record, while warehouse keeper is responsible for preparing products according to sales order before the delivery staff deliver the products to designated location according to customer's request. The Group ensures the sales must complied with the requirement of relevant laws and regulations, that the products are sold to medical devices operating corporations or units with legal qualifications. The qualifications of first-time buyers need to be reviewed to ensure they have legal operating qualifications. Class 2 or 3 medical device (medical devices with medium risk and relatively high risk) operation enterprise must have a medical device operation enterprise permit, recordation certificate and business license within effective date.

To provide customers with better services, meet customer needs and enhance market competitiveness, the Group has formulated the "After-sales Services and Quality Tracking Management Policy" and established a management system to manage the after-sales services and quality tracking of all medical devices. The Group has also established the "Product Return Management Policy" to strengthen the management of returned products and to prevent errors and losses. After-sales service personnel is responsible for organizing and implementing the Group's after-sales services, receiving and processing customers' feedback so as to timely report users' opinions and suggestions to the Quality Management Department and provide feedback to manufacturer, with the aim of achieving "Enthusiastic and open-minded attitude; prompt and fair handling". The Quality Management Department is responsible for collecting and sorting out the opinions and suggestions put forward by customers, as well as investigating and handling the complaint products. To ensure that our customers are satisfied with our services, we accept returns or exchanges for defective products. In addition, if it is found that the product has quality problems, the packaging is damaged or the serial number of the product does not match the number listed on the delivery note, we will be responsible for recalling the products and all relevant expenses. If the quality problem is caused by suppliers, we can seek indemnification from the supplier for all the recalling expenses we incurred.

In addition, we have formulated the "Quality Problems and Complaints Handling Management Policy" to regulate all complaints filed by users regarding the devices and reagents. The after-sales service personnel or any other employees are required to notify the Quality Management Department within 3 working days after receiving the complaint. The Quality Management Department should investigate and understand the user's complaint, analyse the cause and contact manufacturer or supplier in a timely manner. We require joint investigation for accidents, remedial measures, resolution process follow-up and timely report to user on the results. We promise to provide results and solutions on complaints within three working days in order to maintain the Group's reputation and to establish a first-class image and to effectively establish a user feedback system.

Privacy Protection

The Group strictly and carefully manages customers' documents to avoid leakage of customer privacy. Customers' information and data are part of the Group's resources, in which no one can sell, share or disclose for any purpose. Every employee must protect customers' information and data in accordance with the Group's regulations. We have strictly complied with laws and regulations related to privacy, including but not limited to the Law of the People's Republic of China on the Protection of Consumer Rights and Interests. Our conversations with customers, transaction history, documents and reports provided by customers (if not public) will be kept confidential, and disclosure of customer data to third parties without customer's consent is strictly prohibited. At the same time, customers have the rights to review and modify their data and choose not to participate in any direct marketing activities. We are committed to protecting customers' privacy, thereby winning their trust and confidence, maintaining the Group's competitiveness in the market, and driving the Group's sustainable business development and service quality assurance.

IP Rights

The Group understands the importance of IP rights protection, therefore we are committed to protecting the Group's own IP and the IP of our customers. The Group's IP policy aims to protect the IP rights of third parties and does not infringe the interests of any third parties (especially in terms of IP). According to the relevant regulations of Contract Law of the People's Republic of China, Trademark Law of the People's Republic of China and Regulation for the Implementation of the Trademark Law of the People's Republic of China, we obtained trademark registration certificate for the Vastec trademark which is used in the Group's business operations. In addition, we will closely monitor infringements in the market and halt any infringement such as counterfeiting trademarks. When infringements on the Group's IP are found, such as malicious registration and imitating the Group's trademark etc., the Group will consult relevant lawyers and professional consultants to protect the Group's IP under their guidance. We will file a lawsuit against infringer according to Article 213 of the Criminal Law of the People's Republic of China to protect the legitimate rights of the IP held by the Group. In addition, we also avoid infringing the IP rights of others by not using similar or identical wordings, graphics or their combinations on products and services with same nature. We will conduct patent search to analyze the technical functions and patent rights of similar products to avoid IP infringement.

Advertising and Labelling

To ensure the labels of the Group's products conform to the actual conditions of the products, the Group has formulated "Medical Device Labelling Management Policy" to standardize the use of the Group's medical device labels and to ensure the product meets relevant national requirements. At the same time, the Legal Department pays close attention to the latest relevant national laws and regulations in order to ensure that the Group's medical device product labels comply with regulations. Labels in Chinese are formulated according to relevant information in the Registration Certificate, which includes the name of product, specification, name and address of the manufacturer, etc., while the product manual has to be submitted for the label registration. For the labels of all the Group's medical device products, the Marketing Department is responsible for the production of the labels on the product outer packaging in accordance with the laws and regulations. The Commerce Department follows up the registration and recording work of the registration companies, while the Legal Department is responsible to review the content of the label samples on the outer packaging of the products. The labels on the outer packaging of the product shall be affixed by the personnel of the designated relevant department in accordance with the product requirements. We have established a strict monitoring procedure to ensure the labels of the medical devices consist of the contents required by the "Provisions on the Administration of Instructions and Labels of Medical Device" under the China Food and Drug Administration Order No.6, and do not contain prohibited content such as description on cure rates or efficiency, and the comparison of effectiveness and safety with products from other companies.

For the newly registered products sold by the Group, the Marketing Department shall submit their labels to the Food and Drug Administration Department for review or record when the registration, and the labels will then be produced according to the latest approved label template and the Group's label model. During promotion, we strictly require the sales and marketing team to comply with laws and regulations related to the use of advertising and labelling to avoid any form of deceptive advertising.

B7. Anti-corruption

The Group believes that a corporate culture of high integrity is the key to our continuous success, and therefore we value the importance of anti-corruption work and system establishing. The Group is committed to build an honest, transparent and efficient internal management atmosphere that requires employees, especially management level, to treat honesty and integrity as the most basic code of conduct, and does not allow any behaviour related to fraud, corruption, bribery, opportunism, concealment and private gain. Once identified, the Group will take serious penalties.

The Group has complied with related laws and regulations of bribery, extortion, fraud and money laundering, including but not limited to the Company Law of the People's Republic of China, Tendering and Bidding Law of the People's Republic of China, Criminal Law of the People's Republic of China, Anti-unfair Competition Law of the People's Republic of China and Interim Provisions on Prohibition Commercial Bribery etc. During the Reporting Period, the Group was not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group, nor any concluded legal cases regarding corrupt practices.

Anti-fraud

In order to prevent fraud, the Group strengthens the governance and internal control to safeguard the legal rights and interests of the Group's legal person, and regulates business operations to reduce business risks. Combining the actual situation of the Group, we have established "Vastec Anti-fraud Management Policy" in accordance with the Group's operational objectives and the requirements of the laws, regulations and regulatory authorities. The policy is set to prevent all internal and external personnel of the Group from using illegal means such as deception to seek improper interests that harm the legitimate interests of the Group, in order to ensure the sustainable, stable and healthy development of the Group. The Group's anti-fraud work adheres to the principle of prevention that promotes a corporate culture of integrity and strives to create an anti-fraudulent corporate culture. The management of the Group assesses fraud risks, establishes specific control mechanisms, and reduces fraud by various measures including fraud risk assessment in corporate risk assessment, implementing control measures, and conducting background checks on people prior to their employment or personnel that is promoting to important position. In addition, all employees of the Group must sign the "Commitment on Anti-bribery and Anti-corruption" to promise not to engage in acts that directly or indirectly constitute corruption and illegality, and bear the legal responsibility.

Whistleblowing Mechanism

The Group has implemented whistleblowing policy to build and maintain our culture of integrity and transparency. We have established a comprehensive reporting channel, which include anti-fraud whistle-blowing telephone, email address and reception desk for letters on whistle-blowing etc., and published the respective telephone number, email address and address for letters. For reports involving fraud, the director of the Integrated Management Department will determine whether to file an investigation while an "Investigation Report" must be issued after the investigation. Fraud investigation must be confidential, and the anti-fraud protection mechanism ensures that complainants and whistle-blowers are protected when assisting the investigations, to safeguard the confidentiality of the whistle-blower's identity.

Conflict of Interest Management

The Group has established "Vastec Conflict of Interest Management Policy" to prevent the employees being affected by their personal interests when dealing with the Group's beneficial relationship which do not adopting relevant measures and leads to harmful behaviour to the Group's interests and other employees caused by employees' personal interests. The Group requires litigant to implement reporting policy regarding the situation on conflict of interests, and report to their supervisors to avoid potential damage to the Group and other employees caused by conflict of interest. The Group has established a Conflict of Interest Investigation and Review Team and adopted a consensus method in order to determine the judgement and solutions on the conflicts of interests of the Group's affairs. The Group has also implemented "Code of Ethics for Employees" to establish legal and ethical standards for employees, to ensure employees are aware of the resolution of conflicts of interests, and to urge employees to consciously reflect the Group's professional style and ethical standard so as to maintain the image of the Group.

B8. Community Investment

Corporate Social Responsibility

The Group believes that the development of the society is important to the growth of the corporate, and at the same time the corporate shoulders the responsibility of giving back to the society. Therefore, we are dedicated to contribute to the society continuously while promoting business development and fighting for better returns for shareholders so to fulfill our corporate social responsibility. The Group aims to groom the employees' social responsibilities, thus always encourage employees to participate in social welfare activities during work and private hours for greater contribution the society. The Group motivates employees to take part in social charity and fundraising activities, such as visiting nursing homes, orphanage, participating in blood donating activities to express their concerns for the society. The Group believes that the abovementioned activities do not only improve employees' quality of mind, but also bring care to those in need. We believe that through participation in activities which give back to the society in person, employees' civil consciousness can be raised, and right values can be built.

Being a role model of employees, the Group has always dedicated in participating in charity activities to live up to the corporate spirit of giving back to the society. When the society is exposed to hazards, the Group will actively provide aid. For example, the Group donated RMB10,000 and an Auto-coagulation Analyzer CA-1500 through Red Cross during the Wenchuan earthquake, so as to solve the shortage of materials at the time and help those affected people. Besides, we value domestic education development, support educational activities which related to academic promotion, and has raised the society's medical knowledge through activities such as training programs and blood clotting classes. With every effort, the Group aims to build a bright and responsible corporate image, and encourage employees and other stakeholders to contribute to the society.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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KPI A1.2 (comply or explain)	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG Emissions	85
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Aspect B4: Labour Standards			
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Aspect B7: Anti-corruption			
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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 123 to 221, which comprise the consolidated statement of financial position as at 31 December 2019, 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 a summary of significant accounting policies.

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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 ("HKSAs") 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.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter

Purchase price allocation for a business combination

On 25 January 2019, the Group acquired an additional 60% interest in a former 40%-owned associate, Vastec Medical Limited ("Vastec"), at a consideration comprising a promissory note with a face value of RMB411.3 million and 32,339,139 new shares of the Company (the "Acquisition").

The Group accounted for the Acquisition as a business combination using the acquisition method in accordance with IFRS 3 *Business Combinations* and has engaged an external valuer to perform the valuation of the fair value of the net identifiable assets and liabilities of Vastec and its subsidiary (collectively the "Vastec Group") as at the date of acquisition. Goodwill of RMB898.1 million has arisen from the Acquisition.

This area has been identified as a key audit matter given the magnitude of the amount involved and significant management judgements and estimations being required to determine the allocation of the purchase price to items with material fair value adjustments, such as trademarks, other intangible assets, inventories and property, plant and equipment.

The related accounting policy and judgements and estimates are included in notes 2.4 and 2.5 to the consolidated financial statements. Further details of the Acquisition are disclosed in note 28 to the consolidated financial statements.

We assessed the independence, competency and relevant experience of the independent external valuer engaged by the Group.

We evaluated the valuation methodologies and assumptions used in the consideration and purchase price allocation by:

(i) comparing the forecasted revenue growth and margins to historical performance of the Vastec Group and our understanding of the latest market information and conditions;

(ii) comparing the fair value to the actual selling price for the valuation of inventories;

(iii) involving our internal valuation specialists to assist us in evaluating the valuation methodologies for the consideration, inventories, property, plant and equipment and intangible assets and the discount rate adopted by the external valuer; and

(iv) reviewing those items with fair value adjustments to consider if the amounts were taxable temporary differences and re-calculating the deferred tax at the applicable tax rates.

We enquired management in relation to the key assumptions applied in the cash flow projections, such as the revenue growth rates and gross margins.

Furthermore, we checked the arithmetical accuracy of the amount of the goodwill by deducting the fair value of the consideration for the Acquisition, which included (i) the fair value of the pre-existing interest of 40% in Vastec; (ii) the promissory note; and (iii) the fair value of the consideration shares from the fair value of the identifiable net assets of the Vastec Group attributable to the Group.

We also focused on the adequacy of the Group's disclosure of the business combination in the consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of goodwill and other intangible assets

As at 31 December 2019, the Group had goodwill and other intangible assets before impairment of RMB904.7 million and RMB764.6 million, respectively, which related to the cash-generating units ("CGUs") of distribution of IVD reagents and medical equipment ("IVD CGU") and production and sales of IVD regents and medical equipment ("DiagVita CGU"). The Group performed an impairment assessment on goodwill and other intangible assets by using value in use calculation with cash flow projections based on financial budgets covering a five-year period.

During the year, an impairment of RMB6.6 million was recognised for goodwill and an impairment of RMB26.8 million was recognised for other intangible assets.

The impairment assessment has been identified as a key audit matter due to the size of the carrying values of the goodwill and the other intangible assets, and the significant judgements and estimations involved in the assessment of their recoverable amounts.

The accounting policies and disclosures in relation to the impairment of goodwill and other intangible assets are included in notes 2.4, 2.5 and 14 to the consolidated financial statements.

We evaluated the impairment assessments performed by the management of the Company and our audit procedures included the following:

- 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;

- 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

- assessing the adequacy of the disclosures of the Group's impairment assessment of goodwill and other intangible assets in the consolidated financial statements.

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 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 HKSAs 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.

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

As part of an audit in accordance with HKSAs, 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.

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, related safeguards.

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
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019 RMB'000**	2018 RMB'000
REVENUE	4	**2,332,740**	413,635
Cost of sales		**(1,889,862)**	(296,964)
GROSS PROFIT		**442,878**	116,671
Other income and gains	5	**28,355**	5,946
Gain on remeasurement of pre-existing interest in an associate		**208,759**	–
Selling and distribution expenses		**(96,620)**	(11,631)
Administrative expenses		**(124,676)**	(54,696)
Other expenses		**(114,570)**	(328)
Finance costs	6	**(7,784)**	–
Initial public offering related expenses		**(41,490)**	(12,534)
Share of profits of associates		**2,379**	76,529
Impairment loss of trade receivables	7	**(291)**	(2,335)
PROFIT BEFORE TAX	7	**296,940**	117,622
Income tax expense	10	**(42,121)**	(18,114)
PROFIT FOR THE YEAR		**254,819**	99,508
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		**(7,969)**	(7,209)
Share of other comprehensive income/(loss) of an associate		**771**	(465)
		(7,198)	(7,674)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company's financial statements		**5,359**	11,278
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(1,839)**	3,604
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**252,980**	103,112

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Profit/(loss) attributable to:			
Owners of the parent		**275,001**	103,440
Non-controlling interests		**(20,182)**	(3,932)
		254,819	99,508
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**273,347**	107,532
Non-controlling interests		**(20,367)**	(4,420)
		252,980	103,112
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			(Restated)
Basic	12	**RMB24.25 cents**	RMB16.75 cents
Diluted	12	**RMB21.48 cents**	RMB16.75 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**83,776**	41,815
Intangible assets	14	**1,635,885**	34,693
Investments in associates	15	**4,270**	595,326
Deferred tax assets	24	**3,459**	1,639
Total non-current assets		**1,727,390**	673,473
CURRENT ASSETS			
Inventories	16	**618,892**	51,408
Trade receivables	17	**390,430**	162,350
Prepayments and other receivables	18	**212,290**	14,316
Amounts due from associates	19	**1,141**	22,292
Amounts due from shareholders	19	**1,296**	837
Amounts due from related parties	19	**299**	–
Pledged deposits	20	**7,651**	–
Cash and cash equivalents	20	**910,871**	115,364
Total current assets		**2,142,870**	366,567
CURRENT LIABILITIES			
Trade and bills payables	21	**339,193**	36,454
Other payables and accruals	22	**127,972**	12,377
Interest-bearing bank borrowings	23	**273,531**	–
Amounts due to shareholders	19	**49,268**	320
Amounts due to related parties	19	**3,507**	–
Tax payable		**68,496**	20,611
Total current liabilities		**861,967**	69,762
NET CURRENT ASSETS		**1,280,903**	296,805
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,008,293**	970,278

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	**195,806**	14,551
Other payables and accruals	22	**6,314**	–
Total non-current liabilities		**202,120**	14,551
Net assets		**2,806,173**	955,727
EQUITY			
Share capital	25	**4,569**	171
Reserves	27	**2,814,097**	948,307
		2,818,666	948,478
Non-controlling interests		**(12,493)**	7,249
Total equity		**2,806,173**	955,727

Mr. Ho Kuk Sing	**Mr. Leung King Sun**
Director	*Director*

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000 (note 27)	Merger reserve RMB'000 (note 27)	Statutory reserve RMB'000 (note 27)	Exchange fluctuation reserve RMB'000 (note 27)	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2018	171	637,374	60,700	1,000	447	141,254	840,946	11,669	852,615
Profit for the year	–	–	–	–	–	103,440	103,440	(3,932)	99,508
Other comprehensive income/(loss) for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(6,721)	–	(6,721)	(488)	(7,209)
Share of other comprehensive loss of an associate	–	–	–	–	(465)	–	(465)	–	(465)
Exchange differences on translation of the Company's financial statements	–	–	–	–	11,278	–	11,278	–	11,278
Total comprehensive income for the year	–	–	–	–	4,092	103,440	107,532	(4,420)	103,112
Transfer from retained profits	–	–	–	4,000	–	(4,000)	–	–	–
At 31 December 2018	**171**	**637,374***	**60,700***	**5,000***	**4,539***	**240,694***	**948,478**	**7,249**	**955,727**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

		Attributable to owners of the parent									
		Share capital RMB'000	Share premium RMB'000 (note 27)	Merger reserve RMB'000 (note 27)	Statutory reserve RMB'000 (note 27)	Share option reserve RMB'000 (note 27)	Exchange fluctuation reserve RMB'000 (note 27)	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2019		171	637,374	60,700	5,000	–	4,539	240,694	948,478	7,249	955,727
Profit for the year		–	–	–	–	–	–	275,001	275,001	(20,182)	254,819
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations		–	–	–	–	–	(7,784)	–	(7,784)	(185)	(7,969)
Share of other comprehensive loss of an associate		–	–	–	–	–	771	–	771	–	771
Exchange differences on translation of the Company's financial statements		–	–	–	–	–	5,359	–	5,359	–	5,359
Total comprehensive income for the year		–	–	–	–	–	(1,654)	275,001	273,347	(20,367)	252,980
Issue of Consideration Shares	25	110	959,030	–	–	–	–	–	959,140	–	959,140
Issue of shares pursuant to Share Offer	25	1,145	897,663	–	–	–	–	–	898,808	–	898,808
Issue of shares pursuant to Capitalisation Issue	25	3,143	(3,143)	–	–	–	–	–	–	–	–
Share issue expenses		–	(51,793)	–	–	–	–	–	(51,793)	–	(51,793)
Equity-settled share option arrangement		–	–	–	–	29,058	–	–	29,058	–	29,058
Share options lapsed during the year		–	–	–	–	(8,721)	–	–	(8,721)	–	(8,721)
Final 2018 dividend	11	–	–	–	–	–	–	(229,026)	(229,026)	–	(229,026)
Transfer from retained profits		–	–	–	13,467	–	–	(14,092)	(625)	625	–
At 31 December 2019		4,569	2,439,131*	60,700*	18,467*	20,337*	2,885*	272,577*	2,818,666	(12,493)	2,806,173

* These reserve accounts comprise the consolidated reserves of RMB2,814,097,000 (2018: RMB948,307,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits before tax		**296,940**	117,622
Adjustment for:			
Finance costs	6	**7,784**	–
Share of profits of associates		**(2,379)**	(76,529)
Interest income		**(4,256)**	(1,525)
Loss on disposal of items of property, plant and equipment	7	**30**	3
Gain on remeasurement of pre-existing interest in an associate	28	**(208,759)**	–
Fair value losses on financial liabilities at fair value through profit or loss, net	7	**80,621**	–
Impairment loss of trade receivables	7	**291**	2,335
Written down of inventories to net realisable values	7	**119**	12
Depreciation of property, plant and equipment	7	**22,970**	16,486
Depreciation of right-of-use assets	7	**12,248**	–
Amortisation of intangible assets	7	**14,219**	1,260
Impairment of goodwill	7	**6,639**	–
Impairment of intangible assets	7	**26,795**	–
Equity-settled share option expenses	7	**20,337**	–
		273,599	59,664
Decrease/(increase) in inventories		**236,184**	(3,582)
Increase in trade receivables		**(95,887)**	(38,557)
Decrease/(increase) in prepayments and other receivables		**(47,298)**	343
Increase/(decrease) in trade and bills payables		**52,741**	(5,004)
Increase/(decrease) in other payables and accruals		**4,089**	(2,072)
Increase in amounts due from related parties		**(299)**	–
Decrease in an amount due to a related company		**(17,870)**	–
Cash generated from operations		**405,259**	10,792
PRC income tax paid		**(64,543)**	(8,833)
Net cash flows from operating activities		**340,716**	1,959
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(30,922)**	(16,439)
Proceeds from disposal of items of property, plant and equipment		**3,822**	7
Acquisition of a subsidiary	28	**252,380**	–
Advance to associates		**(181)**	(22,292)
Repayment from/(advance to) a shareholder		**(459)**	59
Repayment from associates		**21,332**	52,773
Interest received		**4,256**	1,525
Decrease in pledged deposits		**4,159**	–
Dividend received from an associate		**–**	14,396
Net cash flows from investing activities		**254,387**	30,029

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	**2019 RMB'000**	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**898,808**	–
Share issue expense		**(51,793)**	–
New bank loans		**647,531**	–
Repayment of bank loans		**(444,000)**	–
Advance from shareholders		**49,268**	–
Repayment to shareholders		**(240,320)**	–
Principal portion of lease payments		**(13,238)**	–
Settlement of a Promissory Note		**(411,305)**	–
Dividends paid		**(229,026)**	–
Interest paid		**(7,784)**	–
Net cash flows from financing activities		**198,141**	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		**793,244**	31,988
Cash and cash equivalents at beginning of year		**115,364**	79,307
Effect of foreign exchange rate changes, net		**2,263**	4,069
CASH AND CASH EQUIVALENTS AT END OF YEAR		**910,871**	115,364
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**910,871**	115,364

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 1703, Grandtech Centre, 8 On Ping Street, Shatin, Hong Kong. The shares of the Company was 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.

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	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
IVD International Limited ("IVD International")	Hong Kong	HK$10,000	100	–	Investment holding
IVD China Limited ("IVD China")	Hong Kong	HK$24,051,250	75	–	Sale of medical equipment and Consumables
Vastec Medical Limited ("Vastec")	Hong Kong	HK$10,000	100	–	Sale of medical equipment and consumables
Digital Images Diagnostic (China) Limited ("Digital HK")	Hong Kong	HK$2	–	75	Sale of medical equipment and consumables
Dacheng Medical Equipments (Shanghai) Co., Ltd.*# ("Dacheng") 達承醫療設備(上海)有限公司	People's Republic of China ("PRC")/ Mainland China	RMB50,000,000	–	100	Sale of medical equipment and consumables
IVD Medical Equipments (Shanghai) Co., Ltd*# ("IVD (Shanghai)") 艾維德醫療器械(上海)有限公司	PRC/ Mainland China	USD3,000,000	–	75	Sale of medical equipment and consumables

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	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Suzhou Biotechnology Co., Ltd.*^ ("Suzhou DiagVita") 蘇州德沃生物技術有限公司	PRC/ Mainland China	RMB20,046,519	–	38**	Manufacture and sale of medical equipment and consumables
Digital Images Diagnostic Medical Equipment (Shanghai) Co., Ltd.*# ("Digital China") 華圖醫療器械(上海)有限公司	PRC/ Mainland China	USD200,000	–	75	Sale of medical equipment and consumables
Vastec Medical Equipment (Shanghai) Co., Ltd.*# ("Vastec (Shanghai)") 威士達醫療設備(上海)有限公司	PRC/ Mainland China	USD300,000	–	100	Sale of medical equipment and consumables, and provision of consultancy and maintenance services related to medical equipment

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

** Suzhou DiagVita is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

A wholly-foreign-owned enterprise under PRC law.

^ A limited liability company under PRC law.

Details of the subsidiaries acquired during the year are summarised in note 28 to the financial statements.

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 had issued any debt securities at the end of the year.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for financial liabilities 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 2019. 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).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and Annual Improvements to IFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and Continued to be reported under IAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and service equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables and accruals. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets included in "property, plant and equipment" in the consolidated statement of financial position.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

As a lessee – Leases previously classified as operating leases *(Continued)*

Impact on transition (Continued)

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	RMB'000
Assets	
Increase in right-of-use assets	7,443
Increase in total assets	7,443
Liabilities	
Increase in lease liabilities	7,443
Increase in total liabilities	7,443

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

Financial impact at 1 January 2019 *(Continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	7,418
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(24)
Add: Payments for optional extension periods not recognised as at 31 December 2018	985
	8,379
Weighted average incremental borrowing rate as at 1 January 2019	4.8%
Discounted operating lease commitments as at 1 January 2019	7,443
Lease liabilities as at 1 January 2019	7,443

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale of Contribution of Assets between an Investor and its Associate or Join Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 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.

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

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 when the sale or contribution of assets between an investor and its associate or joint venture 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 in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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 is in a position to exercise 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.

The Group's investments in associates 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 is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, 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 are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

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.

2.4 SUMMARY OF SIGNIFICANT 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.

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 such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT 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.

2.4 SUMMARY OF SIGNIFICANT 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	
Service equipment	20%
Plant and machinery	20% – 33.3%
Office equipment	20% – 33.3%
Motor vehicles	20%
Rights-of-use assets	
Building	Over the lease term
Service equipment	Over the lease term

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Patents

Patents acquired in a business combination 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 10 to 20 years.

Research 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Supplier contract

Supplier contract acquired in a business combination is stated at fair value at the date of acquisition less any impairment losses and are amortised on the straight-line basis over the contractual period of the supplier contract.

Leases (applicable from 1 January 2019)

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.

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.

(a) 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 any 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 as follows:

Service equipment:	5 years or over the lease term, whichever is shorter
Building:	Over the lease term

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

Group as a lessee *(Continued)*

(b) 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 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.

(c) 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).

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT 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.

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 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 OCI, 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.

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

Subsequent measurement

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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. 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

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 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.

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, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 payables, other payables and accruals and amounts due to shareholders, financial instruments and interest-bearing bank borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, 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, 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

- 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.

2.4 SUMMARY OF SIGNIFICANT 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, 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 installments.

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.

Sales of goods

Revenue from 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.

Consultancy and maintenance service income

Consultancy and maintenance service income 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 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, further details of which are given in note 26 to the financial statements.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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. 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 is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

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 subsidiaries which operate in Mainland China 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Foreign currencies

These financial statements are presented in RMB, while the functional currency of the Company is Hong Kong dollars ("HK$"). As the major revenues and assets of the Group are derived from operations in the PRC, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the 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 weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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 overseas 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 overseas 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.

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.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty *(Continued)*

Business combination

On 25 January 2019, the Group acquired an additional 60% equity interest in Vastec. The Group's interest in Vastec increased from 40% to 100% and Vastec became a subsidiary of the Group (the "Step Acquisition of Vastec Group").

The assessment of the fair value of consideration, the pre-existing interest in Vastec and the identifiable assets acquired and liabilities assumed, using key assumptions such as revenue growth rates, gross margins, royalty rate and discount rate, and the allocation of the purchase price required significant management estimation.

The Group recognised, inter alia, intangible assets of RMB750,762,000, fair value adjustment on property, plant and equipment and inventories of RMB979,000 and RMB80,427,000, respectively, and goodwill of RMB898,083,000, details of which are set out in note 28 to the financial statements.

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 trademarks and other intangible assets

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 life are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Given that the intangible assets relating to the IVD CGU are with indefinite useful life and the DiagVita CGU is loss making during the year due to the decrease in sales of medical consumables and postponement in the rollout of new products, the directors of the Company performed an impairment assessment on the intangible assets of the IVD CGU and the DiagVita CGU, respectively. This requires an estimation of the value in use of the CGUs to which the trademarks and the other intangible assets belong. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs 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.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the sale and manufacture of medical equipment and consumables and the provision of consultancy and maintenance services related to medical equipment. For the purpose of resource allocation and performance assessment, the Group's management focuses on the operating results of the Group. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	2019	2018
	RMB'000	RMB'000
Mainland China	**2,310,982**	413,474
Others	**21,758**	161
	2,332,740	413,635

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

(b) Non-current assets

	2019	2018
	RMB'000	RMB'000
Mainland China	**1,722,303**	83,239
Others	**1,628**	588,595
	1,723,931	671,834

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue derived from sales of medical equipment and consumables to customers, which accounted for 10% or more of the Group's revenue during the year is set out below:

	2019	2018
	RMB'000	RMB'000
Customer A	**–***	97,696
Customer B	**–***	55,003

* During the year, no revenue from transaction with a single external customer amounted to 10% or more of the Group's total revenue.

4. REVENUE

An analysis of revenue is as follows:

	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers		
Sales of trading goods	**2,185,625**	408,440
Sales of manufactured goods	**3,787**	5,195
Provision of consultancy and maintenance services	**143,328**	–
	2,332,740	413,635

4. REVENUE *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019	2018
	RMB'000	RMB'000
Types of goods		
Sales of medical equipment	**370,132**	41,457
Sales of medical consumables	**1,819,280**	372,178
Provision of consultancy and maintenance services	**143,328**	–
Total revenue from contracts with customers	**2,332,740**	413,635
Types of customers		
Sales to hospitals and healthcare institutions	**264,348**	202,714
Sales to logistics providers	**99,215**	84,012
Sales to distributors	**1,825,849**	126,909
Sales to service customers	**143,328**	–
Total revenue from contracts with customers	**2,332,740**	413,635
Timing of revenue recognition		
Goods transferred at a point in time	**2,189,412**	413,635
Services transferred over time	**143,328**	–
Total revenue from contracts with customers	**2,332,740**	413,635

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:

	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
– Sales of goods	**1,080**	764

4. REVENUE *(Continued)*

Revenue from contracts with customers *(Continued)*

(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 payment in advance or due within 120 days from delivery.

(ii) Provision of consultancy and maintenance services

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

No performance obligations were unsatisfied or partially unsatisfied as 31 December 2019.

5. OTHER INCOME AND GAINS

	2019 RMB'000	2018 RMB'000
Other income		
Bank interest income	**3,361**	169
Other interest income	**895**	1,356
Service income	**2,225**	3,314
Rental income	**248**	295
Government subsidies*	**14,358**	422
Others	**614**	156
	21,701	5,712
Gains		
Foreign exchange differences, net	**6,654**	234
	28,355	5,946

* Government grants have been received from the PRC local government authorities to support subsidiaries' research and development activities and as reimbursement of operating expenses. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank loans	**6,723**	–
Interest on lease liabilities	**1,061**	–
	7,784	–

7. PROFIT BEFORE TAX

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

		2019 RMB'000	2018 RMB'000
Cost of inventories sold*		**1,831,826**	296,964
Cost of services provided*		**58,036**	–
Depreciation of property, plant and equipment	13	**22,970**	16,486
Depreciation of right-of-use assets		**12,248**	–
Amortisation of intangible assets	14		
– supplier contract***		**12,960**	–
– patents		**1,259**	1,260
		14,219	1,260
Research and development costs		**2,740**	716
Impairment of goodwill**	14	**6,639**	–
Impairment of intangible assets**	14	**26,795**	–
Lease payments not included in the measurement of lease liabilities		**2,996**	–
Minimum lease payments under operating leases		**–**	4,422
Auditors' remuneration		**2,469**	150
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**99,547**	19,245
Equity-settled share option expenses		**20,337**	–
Pension scheme contributions		**19,353**	3,267
		139,237	22,512
Foreign exchange differences, net		**(6,654)**	(234)
Impairment loss of trade receivables	17	**291**	2,335
Write-down of inventories to net realisable value***		**119**	12
Loss on disposal of items of property, plant and equipment**		**30**	3
Fair value loss on financial liabilities at fair value through profit or loss, net**		**80,621**	–

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

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

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

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:

	2019	2018
	RMB'000	RMB'000
Fees	**4,198**	243
Other emoluments:		
Salaries, allowances and benefits in kind	**1,578**	605
Performance-related bonuses	**3,236**	658
Pension scheme contributions	**129**	44
Equity-settled share option expenses	**18,093**	–
Sub-total	**23,036**	1,307
Total	**27,234**	1,550

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 26 to the financial statements. The fair value of such options, 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 current year is included in the above directors' and chief executive's remuneration disclosures.

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:

	2019 RMB'000	2018 RMB'000
Mr. Lau Siu Ki	**124**	–
Mr. Zhong Renqian	**56**	–
Mr. Leung Ka Sing	**56**	–
	236	–

Mr. Lau Siu Ki, Mr. Zhong Renqian and Mr. Leung Ka Sing were appointed as independent non-executive directors of the Company on 21 June 2019.

There were no other emoluments paid or payable to the independent non-executive directors of the Company during the year (2018: nil).

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019						
Executive directors:						
Mr. Ho Kuk Sing ("Mr. Ho")*	1,740	648	1,338	11,399	16	15,141
Mr. Leung King Sun ("Mr. Leung")	1,206	422	1,238	2,171	16	5,053
Mr. Lin Xianya ("Mr. Lin")	1,016	508	660	4,523	97	6,804
Sub-total	3,962	1,578	3,236	18,093	129	26,998
Non-executive directors:						
Mr. Chen Xingang	–	–	–	–	–	–
Mr. Yang Zhaoxu	–	–	–	–	–	–
Mr. Chan Kwok King, Kingsley	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–
Total	3,962	1,578	3,236	18,093	129	26,998

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contribution RMB'000	Total remuneration RMB'000
2018					
Executive directors:					
Mr. Ho*	–	–	–	–	–
Mr. Leung	–	–	–	–	–
Mr. Lin	243	605	658	44	1,550
	243	605	658	44	1,550

* Mr. Ho is also the chief executive of the Company.

Mr. Chen Xingang, Mr. Yang Zhaoxu and Mr. Chan Kwok King, Kingsley were appointed as non-executive directors of the Company on 21 June 2019.

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.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2018: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2018: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019	2018
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,563**	1,858
Performance-related bonuses	**1,078**	2,131
Pension scheme contributions	**114**	174
Equity-settled share option expenses	**1,077**	–
	3,832	4,163

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

	Number of employees	
	2019	2018
HK$1,000,001 to HK$1,500,000	**1**	3
HK$1,500,001 to HK$2,000,000	**1**	1
	2	4

During the year, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 26 to the financial statements. The fair value of such options, 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 current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 effect from the year of assessment 2018/19. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Tax on profits assessable in Mainland China has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the year.

	2019 **RMB'000**	2018 RMB'000
Current – Hong Kong		
Charge for the year	**1,342**	–
Under provision in prior years	**671**	–
Current – China		
Charge for the year	**96,644**	17,410
Over provision in prior years	**(8,152)**	–
Deferred (note 24)	**(48,384)**	704
Total tax charge for the year	**42,121**	18,114

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 rates, is as follows:

	2019 **RMB'000**	2018 RMB'000
Profit before tax	**296,940**	117,622
Tax at the statutory tax rate	**78,655**	29,406
Lower tax rate for specific provinces or enacted by local authority	**(144)**	–
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**(16,560)**	2,108
Adjustment in respect of current tax of previous periods	**(7,481)**	–
Profits and losses attributable to associates	**(396)**	(19,132)
Income not subject to tax	**(53,979)**	(193)
Expense not deductible for tax	**38,938**	3,327
Tax losses utilised from previous periods	**(23)**	(25)
Tax losses not recognised	**3,306**	2,790
Others	**(195)**	(167)
Tax charge at the Group's effective rate	**42,121**	18,114

11. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividend declared to the shareholders of the Company prior to the listing	160,000	–
Final 2018 dividend declared – RMB1.32 per ordinary share	69,026	–
	229,026	–
Proposed Final (HK5.366 cents) (2018:Nil) per ordinary share	64,996	–
	294,022	–

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 OWNERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares in issue during the year. The weighted average number of shares has been retrospectively adjusted for the effect of the Capitalisation Issue (as defined and disclosed in note 25) on the assumption that the Capitalisation Issue had been completed on 1 January 2018.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the parent, adjusted to reflect the fair value gain on the Promissory Note (as defined in note 28). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT *(Continued)*

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation	**275,001**	103,440
Less: fair value gain on the Promissory Note	**(30,082)**	–
	244,919	103,440

	Number of shares 2019	 2018 (restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,133,794,730**	617,644,845
Effect of dilution – weighted average number of ordinary shares:		
Share options	**404,185**	–
Conversion options embedded in the Promissory Note	**5,760,406**	–
	1,139,959,321	617,644,845

13. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets			Owned assets						
	Buildings	Service equipment	Total	Fixtures and furniture	Service equipment	Plant and machinery	Office equipment	Motor vehicles	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019										
At 1 January 2019:										
Cost	–	–	–	–	85,590	8,980	2,201	4,816	101,587	101,587
Accumulated depreciation	–	–	–	–	(49,878)	(5,428)	(1,544)	(2,922)	(59,772)	(59,772)
Net carrying amount	–	–	–	–	35,712	3,552	657	1,894	41,815	41,815
Effect of adoption of IFRS 16	7,254	189	7,443	–	–	–	–	–	–	7,443
At 1 January 2019 (restated)	7,254	189	7,443	–	35,712	3,552	657	1,894	41,815	49,258
Additions	2,534	7,188	9,722	210	27,283	1,766	753	910	30,922	40,644
Acquisition of a subsidiary (note 28)	12,874	–	12,874	320	18,208	–	840	655	20,023	32,897
Depreciation provided during the year	(11,394)	(854)	(12,248)	(117)	(19,792)	(1,521)	(955)	(585)	(22,970)	(35,218)
Disposals/write-off	–	–	–	–	(3,788)	(34)	(30)	–	(3,852)	(3,852)
Exchange realignment	46	–	46	–	–	–	1	–	1	47
At 31 December 2019, net of accumulated depreciation	11,314	6,523	17,837	413	57,623	3,763	1,266	2,874	65,939	83,776
At 31 December 2019:										
Cost	22,662	7,377	30,039	1,383	148,977	11,163	5,552	10,494	177,569	207,608
Accumulated depreciation	(11,348)	(854)	(12,202)	(970)	(91,354)	(7,400)	(4,286)	(7,620)	(111,630)	(123,832)
Net carrying amount	11,314	6,523	17,837	413	57,623	3,763	1,266	2,874	65,939	83,776

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Service equipment RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2018					
At 1 January 2018:					
Cost	73,640	5,559	1,713	4,270	85,182
Accumulated depreciation	(37,609)	(2,200)	(1,075)	(2,426)	(43,310)
Net carrying amount	36,031	3,359	638	1,844	41,872
At 1 January 2018, net of accumulated depreciation	36,031	3,359	638	1,844	41,872
Additions	11,950	3,421	522	546	16,439
Depreciation provided during the year	(12,269)	(3,228)	(493)	(496)	(16,486)
Disposals/write-off	–	–	(10)	–	(10)
At 31 December 2018, net of accumulated depreciation	35,712	3,552	657	1,894	41,815
At 31 December 2018:					
Cost	85,590	8,980	2,201	4,816	101,587
Accumulated depreciation	(49,878)	(5,428)	(1,544)	(2,922)	(59,772)
Net carrying amount	35,712	3,552	657	1,894	41,815

14. INTANGIBLE ASSETS

	Goodwill RMB'000	Trademarks RMB'000	Supplier contract RMB'000	Patents RMB'000	Total RMB'000
31 December 2019					
Cost at 1 January 2019, net of accumulated amortisation	**6,639**	**–**	**–**	**28,054**	**34,693**
Acquisition of a subsidiary (note 28)	**898,083**	**737,802**	**12,960**	**–**	**1,648,845**
Amortisation during the year	**–**	**–**	**(12,960)**	**(1,259)**	**(14,219)**
Impairment during the year	**(6,639)**	**–**	**–**	**(26,795)**	**(33,434)**
At 31 December 2019	**898,083**	**737,802**	**–**	**–**	**1,635,885**
At 31 December 2019					
Cost	**904,722**	**737,802**	**12,960**	**31,050**	**1,686,534**
Accumulated amortisation and impairment	**(6,639)**	**–**	**(12,960)**	**(31,050)**	**(50,649)**
Net carrying amount	**898,083**	**737,802**	**–**	**–**	**1,635,885**

	Goodwill RMB'000	Patents RMB'000	Total RMB'000
31 December 2018			
At 1 January 2018			
Cost	6,639	31,050	37,689
Accumulated amortisation	–	(1,736)	(1,736)
Net carrying amount	6,639	29,314	35,953
Cost at 1 January 2018, net of accumulated amortisation	6,639	29,314	35,953
Amortisation during the year	–	(1,260)	(1,260)
At 31 December 2018	6,639	28,054	34,693
At 31 December 2018 and 1 January 2019			
Cost	6,639	31,050	37,689
Accumulated amortisation	–	(2,996)	(2,996)
Net carrying amount	6,639	28,054	34,693

14. INTANGIBLE ASSETS *(continued)*

Impairment testing of intangible assets

Goodwill acquired through business combinations has been allocated to the following cash-generating unit for impairment testing:

(i) Distribution of IVD reagents and medical equipment ("IVD CGU"); and

(ii) Production and sales of IVD reagents and medical equipment ("DiagVita CGU")

Trademarks were purchased as part of the Step Acquisition of Vastec Group (as defined in note 28) 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 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 IVD CGU for impairment testing.

Patents were purchased as part of the acquisition of Suzhou DiagVita in August 2016 and were recognised at their fair values at the date of the acquisition. The estimated useful lives of patents were 10 to 20 years. Pursuant to the Patent Law of the People's Republic of China (the "Patent Law"), the duration of patent right for inventions shall be 20 years, the duration of patent right for utility models and patent right for designs shall be 10 years, counted from the date of filing. Patents acquired through business combination belong to the DiagVita CGU. The carrying value of patents is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Given that the DiagVita CGU was loss-making during the year, the directors of the Company performed an impairment assessment of the patents relating to this CGU to determine their recoverable amounts. The recoverable amounts of patents were determined as the higher of the fair value less cost of disposal and value in use. Since the fair value less cost of disposal is minimal, the recoverable amounts of patents were determined based on the value in use of the CGU to which they belong.

The recoverable amounts of both CGUs have been determined 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 discount rate applied to the cash flow projections was 19.5% at 31 December 2019 (2018: 15.8%). The growth rate used to extrapolate the cash flows of the IVD CGU beyond the five-year period was 3.0% (2018: 3.0%).

14. INTANGIBLE ASSETS *(continued)*

Impairment testing of intangible assets *(continued)*

Assumptions were used in the value-in-use calculation of the CGUs 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.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2019 **RMB'000**	2018 RMB'000
IVD CGU	**898,083**	–
DiagVita CGU	**–**	6,639
	898,083	6,639

The carrying amount of intangible assets with indefinite useful life allocated to each of the cash-generating units is as follows:

	2019 **RMB'000**	2018 RMB'000
IVD CGU	**737,802**	–

During the year, the management of the Company determined that there was no impairment of goodwill in the IVD CGU. However, full impairments of RMB6,639,000 (2018: Nil) and RMB26,795,000 (2018: Nil) were made for the goodwill and patents in the DiagVita CGU, respectively, during the year ended 31 December 2019 as a result of a decrease in sales of medical consumables of Suzhou DiagVita and postponement in the rollout of new products during the year.

15. INVESTMENTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets	**4,270**	455,369
Goodwill on acquisition	**–**	139,957
	4,270	595,326

Particulars of the principal associate is as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group 2019	2018	Principal activities
Vastec	Ordinary shares	Hong Kong	–	40	Sale of medical equipment and consumables

The Vastec Group, which is considered as a material associate of the Group prior to completion of the acquisition as disclosed in note 28 to the consolidated financial statements, is a strategic partner of the Group engaged in the sale of medical equipment and consumables. The associate is accounted for using the equity method.

Upon completion of the Step Acquisition of Vastec Group, Vastec Group became a wholly-owned subsidiary of the Group.

15. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the summarised financial information in respect of the Vastec Group for the period up to 25 January 2019, when the Step Acquisition of the Vastec Group was completed, and has been adjusted to reflect the fair values of identifiable assets and liabilities of the Vastec Group at the completion dates of the acquisition by the Group in prior years, and reconciled to the carrying amount in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Current assets	**–**	1,070,919
Non-current assets, excluding goodwill	**–**	443,333
Current liabilities	**–**	(274,482)
Non-current liabilities	**–**	(107,117)
Net assets	**–**	1,132,653
Net assets of the associate, net of inter-company eliminations	**–**	1,130,100
Reconciliation to the Group's interest in the associate:		
Portion of the Group's ownership	**N/A**	40%
Group's share of net assets of the associate, excluding goodwill		452,040
Goodwill on acquisition	**–**	136,556
Carrying amount of the investment	**–**	588,596
Revenue	**147,526**	1,852,514
Profit for the year/period	**11,366**	192,161
Other comprehensive loss	**(1,928)**	(1,164)
Total comprehensive income for the year/period	**9,438**	190,997
Dividend received	**85,992**	14,396

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

	2019 RMB'000	2018 RMB'000
Share of the associate's loss and total comprehensive loss for the year	**(3,233)**	(291)
Aggregate carrying amount of the Group's investment in the associate	**4,270**	6,730

16. INVENTORIES

	2019	2018
	RMB'000	RMB'000
Raw materials	**1,779**	2,212
Finished goods	**617,113**	49,196
	618,892	51,408

17. TRADE RECEIVABLES

	2019	2018
	RMB'000	RMB'000
Trade receivables	**393,961**	165,089
Impairment	**(3,531)**	(2,739)
	390,430	162,350

The majority of the Group' 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 minimize 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 2019 represented 50.5% (2018: 51.2%) of the total trade receivables, while 20.6% (2018: 16.8%) of the total trade receivables were 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.

As at 31 December 2019, included in the Group's trade receivables were trade balances with the Group's associate of RMB69,000 (2018: RMB69,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

17. TRADE RECEIVABLES *(Continued)*

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, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 month	**313,221**	149,732
1 to 2 months	**46,334**	3,408
2 to 3 months	**3,380**	2,941
Over 3 months	**27,495**	6,269
	390,430	162,350

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

	2019 RMB'000	2018 RMB'000
At beginning of year	**2,739**	891
Acquisition of a subsidiary	**501**	–
Impairment of trade receivables	**291**	2,335
Amounts written off as uncollectible	**–**	(487)
At end of year	**3,531**	2,739

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.

17. TRADE RECEIVABLES *(Continued)*

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

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
As at 31 December 2019					
Expected credit loss rate	**0.3%**	**5.8%**	**15.7%**	**23.4%**	**0.9%**
Gross carrying amount (RMB'000)	**375,933**	**10,179**	**2,246**	**5,603**	**393,961**
Expected credit losses (RMB'000)	**1,272**	**594**	**353**	**1,312**	**3,531**
As at 31 December 2018					
Expected credit loss rate	0.3%	5.5%	9.6%	14.4%	1.7%
Gross carrying amount (RMB'000)	141,195	8,538	6,348	9,008	165,089
Expected credit losses (RMB'000)	367	466	608	1,298	2,739

18. PREPAYMENTS AND OTHER RECEIVABLES

	2019 **RMB'000**	2018 RMB'000
Prepayments	**207,842**	12,664
Deposits and other receivables	**4,448**	1,652
	212,290	14,316

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 2019 and 2018, the loss allowance was assessed to be minimal.

19. AMOUNTS DUE FROM/TO ASSOCIATES, SHAREHOLDERS AND RELATED PARTIES

Particulars of the amounts due from/to associates, shareholders and related parties are as follows:

	Notes	At 1 January 2019 RMB'000	Maximum amount outstanding during the year RMB'000	At 31 December 2019 RMB'000
Due from associates				
Vastec				
– loan	(b)	**21,812**	**21,812**	–
Hunan AKJD Biomedical Co., Ltd. ("Hunan AKJD", formerly known as Hunan Brahms Biotech Co., Ltd.)	(a)	**480**	**1,093**	**1,093**
Alifax Diagnostics Co., Limited ("Alifax")		–	**48**	**48**
		22,292		**1,141**
Due from shareholders				
Mr. Lin	(a)	**523**	**523**	**120**
Mr. Ho	(a)	**314**	**712**	**712**
Shinva Medical Instrument Co., Ltd ("Shinva")*	(a)	–	**464**	**464**
		837		**1,296**

19. AMOUNTS DUE FROM/TO ASSOCIATES, SHAREHOLDERS AND RELATED PARTIES *(Continued)*

Particulars of the amounts due from/to associates, shareholders and related parties are as follows: (Continued)

	Notes	At 1 January 2019 RMB'000	Maximum amount outstanding during the year RMB'000	At 31 December 2019 RMB'000
Due from related parties				
DVI Investment Ltd	(a)	–	32	32
A company controlled by Shinva	(a)	–	267	267
		–		299
Due to shareholders				
Mr. Leung	(a)	–	49,268	49,268
Shinva*	(a)	320	320	–
		320		49,268
Due to related parties				
Jinqiao Vastec (Beijing) Medical Devices Co., Ltd. ("Jinqiao Vastec")	(a)	–	3,505	3,505
Beijing Modern Vastec Medical Devices Co., Ltd., ("Beijing Vastec")	(a)	–	2	2
		–		3,507

19. AMOUNTS DUE FROM/TO ASSOCIATES, SHAREHOLDERS AND RELATED PARTIES *(Continued)*

Particulars of the amounts due from/to associates, shareholders and related parties are as follows: (Continued)

	Notes	At 1 January 2018 RMB'000	Maximum amount outstanding during the year RMB'000	At 31 December 2018 RMB'000
Due from associates				
Vastec				
– other receivables	(a)	–	14,395	–
– loan	(b)	52,758	52,758	21,812
Hunan AKJD	(a)	15	480	480
		52,773		22,292
Due from shareholders				
Mr. Lin	(a)	548	1,072	523
Mr. Ho	(a)	348	348	314
		896		837
Due to a shareholder				
Shinva*	(a)	320	–	320
		320		320

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

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

(b) The loan to an associate, Vastec is unsecured, bears an interest rate of 2.43% (2018: 3.43%) per annum and is repayable on demand.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**918,522**	115,364
Less: Pledged deposits pledged for bank facilities	**(7,651)**	–
Cash and cash equivalents	**910,871**	115,364

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 RMB261,967,000 (2018: RMB86,010,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, 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. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE AND BILLS PAYABLES

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

	2019 RMB'000	2018 RMB'000
Within 1 month	**51,772**	36,087
1 to 2 months	**25,389**	293
2 to 3 months	**44,620**	–
Over 3 months	**217,412**	74
	339,193	36,454

Included in the trade and bills payables are trade payables of RMB210,000 (2018: RMB21,454,000) due to an associate which are repayable within 60 days, which represents credit terms similar to those offered by the associate to its major customers.

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

22. OTHER PAYABLES AND ACCRUALS

	Notes	2019 RMB'000	2018 RMB'000
Contract liabilities	(i)	**41,893**	1,080
Other payables		**39,438**	3,070
Accruals		**34,894**	7,040
Deferred income		**893**	1,187
Lease liabilities	(ii)	**17,168**	–
		134,286	12,377
Less: other payables included in non-current liabilities		**(6,314)**	–
		127,972	12,377

Notes:

(i) Details of contract liabilities are as follows:

	2019 RMB'000	2018 RMB'000
Short-term advances received from customers		
Sales of goods	**41,893**	1,080

Contract liabilities include short-term advances received to deliver goods. The increase in contract liabilities in 2019 mainly arose from the acquisition of a subsidiary as disclosed in note 28 to the consolidated financial statements.

22. 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 its operations. Leases of offices and warehouses generally have lease terms between 2 and 5 years while medical equipment generally have 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:

	2019 RMB'000
Carrying amount at 1 January	**7,443**
New leases	**9,722**
Acquisition of a subsidiary (note 28)	**13,227**
Accretion of interest recognised during the year	**1,061**
Payments	**(14,299)**
Exchange realignments	**14**
Carrying amount at 31 December	**17,168**
Analysed into:	
Current portion	**10,854**
Non-current portion	**6,314**

The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	**1,061**
Depreciation charge of right-of-use assets	**12,248**
Expenses relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	**2,996**
Total amount recognised in profit or loss	**16,305**

(iii) Other payables are non-interest-bearing and have an average term of 60 days.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

		31 December 2019			31 December 2018		
	Notes	**Effective interest rate (%)**	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current:							
Bank loans – unsecured	(a)	**4.8 – 5.3**	**2020**	**204,000**	–	N/A	–
Bank loan – unsecured	(b)	**LIBOR+1.6**	**2020**	**69,531**	–	N/A	–
				273,531			–

	2019	2018
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**273,531**	–

Notes:

(a) The bank loans bear interest at fixed rates ranging from 4.8% to 5.3% and denominated in Renminbi.

(b) The bank loan bears interest at floating rates of LIBOR+1.6% and denominated in US dollars.

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Withholding taxes RMB'000	Fair value gains arising from business combination RMB'000	Total RMB'000
At 1 January 2018	5,430	7,328	12,758
Deferred tax charged/(credited) to profit or loss during the year (note 10)	2,107	(314)	1,793
At 31 December 2018 and 1 January 2019	7,537	7,014	14,551
Acquisition of a subsidiary (note 28)	20,378	208,042	228,420
Deferred tax credited to profit or loss during the year (note 10)	(16,560)	(30,605)	(47,165)
At 31 December 2019	**11,355**	**184,451**	**195,806**

24. DEFERRED TAX *(Continued)*

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Deferred tax assets

	Impairment of trade receivables RMB'000	Unrealised gains resulting from intra group transactions RMB'000	Total RMB'000
At 1 January 2018	199	306	505
Deferred tax credited to profit or loss during the year (note 10)	461	673	1,134
At 31 December 2018 and 1 January 2019	660	979	1,639
Acquisition of a subsidiary (note 28)	149	452	601
Deferred tax credited to profit or loss during the year (note 10)	74	1,145	1,219
At 31 December 2019	**883**	**2,576**	**3,459**

The Group has tax losses arising in Hong Kong of RMB1,389,000 (2018: RMB1,320,000) 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 the PRC of RMB48,826,000 (2018: RMB45,612,000) 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL

	2019 RMB'000	2018 RMB'000
Authorised:		
3,000,000,000 (2018: 100,000,000) ordinary shares of US$0.0005 each	**10,280**	327
Issued and fully paid:		
1,333,400,000 (2018: 52,239,658) ordinary shares of US$0.0005 each	**4,569**	171

The movements in the Company's share capital during the years ended 31 December 2019 and 2018 were as follows:

	Number of ordinary shares	Nominal value of ordinary shares US$'000	Equivalent to RMB'000
Authorised:			
At 1 January 2018, 31 December 2018 and 1 January 2019	100,000,000	50	327
Increase in authorised share capital on 21 June 2019 (note a)	2,900,000,000	1,450	9,953
At 31 December 2019	**3,000,000,000**	**1,500**	**10,280**
Issued and fully paid:			
At 1 January 2018, 31 December 2018 and 1 January 2019	52,239,658	26	171
Issue of new shares pursuant to the acquisition of a subsidiary (note b)	32,339,139	16	110
Issue of new shares pursuant to the Capitalisation Issue (note c)	915,421,203	458	3,143
Issue of new shares pursuant to the Share Offer (note d)	333,400,000	167	1,145
At 31 December 2019	**1,333,400,000**	**667**	**4,569**

25. SHARE CAPITAL *(Continued)*

Notes:

(a) On 21 June 2019, the authorised share capital of the Company was increased to US$1,500,000 by the creation of additional 2,900,000,000 shares pursuant to the shareholder resolutions passed on 21 June 2019.

(b) On 25 January 2019, the Company allotted and issued 32,339,139 ordinary shares of the Company to Huatuo as a consideration to acquire the remaining 60% interest in an associate, Vastec, as further detailed in note 28 to the financial statements.

(c) On 11 July 2019, the Company allotted and issued 915,421,203 to existing shareholders by way of capitalisation from the share premium account of the Company (the "Capitalisation Issue"). This Capitalisation Issue was conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in note (d) below.

(d) In connection with the listing of the shares of the Company on the Main Board of the Stock Exchange (the "Share Offer"), 333,400,000 ordinary shares of the Company were issued at the offer price of HK$3.07 per share for a total cash consideration, before expenses, of HK$1,024,000,000. Dealings in the shares of the Company on the Stock Exchange commenced on 12 July 2019 ("Listing Date").

26. 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.

26. SHARE OPTION SCHEMES *(Continued)*

a) Share Option Scheme *(Continued)*

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.

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 28 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:

	2019		2018	
	Weighted average exercise price RMB per share	**Number of options**	Weighted average exercise price RMB per share	Number of options
At beginning of year	**–**	**–**	–	–
Granted during the year	**2.734**	**3,333,500**	–	–
At end of year	**2.734**	**3,333,500**	–	–

26. SHARE OPTION SCHEMES *(Continued)*

a) Share Option Scheme *(Continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019

Number of options	**Exercise price* HKD per share**	**Exercise period**
3,333,500	3.042 (equivalent to RMB2.734)	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.

Note: All share options are exercisable from 22 November 2019 to 21 November 2024.

The fair values of the share options granted under the Share Option Scheme during the year was RMB2,245,000 (RMB0.6734 each) (2018: Nil), of which the Group recognised a share option expense of RMB2,245,000 in respect of these share options granted to the employees of the Group (2018: Nil) during the year ended 31 December 2019.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2019
Dividend yield (%)	**3.89**
Volatility (%)	**52.90**
Risk-free interest rate (%)	**1.42**
Expected life of options (year)	**5**

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

26. SHARE OPTION SCHEMES *(Continued)*

a) Share Option Scheme *(Continued)*

At the end of the reporting period, the Company had 3,333,500 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 3,333,500 additional ordinary shares of the Company and additional share capital of RMB12,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 3,333,500 share options outstanding under the Scheme, which represented approximately 0.25% 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 or otherwise approved by the Board.

The principal terms of the Pre-IPO Share Option Scheme are similar to the terms of the Share Option Scheme except that (i) no further options could be granted under the Pre-IPO Share Option Scheme prior to the Listing Date; and (ii) the exercise conditions, exercise price and the exercise period of the share options granted under the ESOP Scheme ("Management Options") are different as further detailed below.

The following Management Options were outstanding under the ESOP Scheme during the year:

	2019		2018	
	Weighted average exercise price RMB per share	**Number of options**	Weighted average exercise price RMB per share	Number of options
At beginning of year	**–**	**–**	–	–
Granted during the year	**1.69**	**32,507,627**	–	–
Lapsed during the year	**1.69**	**(6,501,526)**	–	–
At end of year	**1.69**	**26,006,101**	–	–

The exercise prices and exercise periods of the Management Options outstanding as at the end of the reporting period are as follows:

26. SHARE OPTION SCHEMES *(Continued)*

b) ESOP Scheme *(continued)*

2019

Number of options	Exercise price* RMB per share	Exercise period
26,006,101	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.

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 year 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 RMB(million)	2018 RMB(million)	2019 RMB(million)	2020 RMB(million)	2021 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.

The fair value of the share options granted under the ESOP Scheme during the year was RMB42,125,000 (RMB1.2959 each) (2018: Nil), of which the Group recognised a share option expense of RMB18,093,000 in respect of the share options granted to the employees of the Group (2018: Nil) during the year ended 31 December 2019.

26. SHARE OPTION SCHEMES *(Continued)*

b) ESOP Scheme *(continued)*

The fair value of the Management Options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2019
Dividend yield (%)	**3.80**
Volatility (%)	**43.99**
Risk-free interest rate (%)	**1.52**
Expected life of options (year)	**7**

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 26,006,101 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 26,006,101 additional ordinary shares of the Company and additional share capital of RMB91,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 26,006,102 Management Options outstanding under the Scheme, which represented approximately 1.95% of the Company's shares in issue as at that date.

27. 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 pages 127 to 128 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) 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.

(d) Share option reserve

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 retained profits should the related options expire after the vesting period.

(e) Exchange fluctuation reserve

The Group's exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations and the Company.

28. BUSINESS COMBINATIONS

On 25 January 2019, the Group entered into a share purchase agreement with Huatuo (the "Share Purchase Agreement"), a substantial shareholder of the Company, to acquire the remaining 60% interest in a 40%-owned associate, Vastec (the "Acquisition"). The Acquisition was made as part of the Group's strategy to expand its market share of medical equipment and consumables in the PRC. The purchase consideration for the Acquisition was satisfied by a promissory note with face value of RMB411,305,000 and 32,339,139 newly allotted ordinary shares of the Company ("Consideration Shares"). The Acquisition was completed on 25 January 2019 (the "Acquisition Date"). Upon the completion of the Acquisition, the Group's interest in Vastec increased from 40% to 100%, and Vastec became a wholly-owned subsidiary of the Group. The results of Vastec and its subsidiaries (collectively, the "Vastec Group") were consolidated into the Group's consolidated financial statements commencing from the Acquisition Date.

Details of the carrying value and fair value of the Group's pre-existing interest in Vastec at the Acquisition Date are summarised as follows:

	RMB'000
Carrying value of pre-existing interest in Vastec	508,941
Release of exchange reserves	586
Less: Fair value of pre-existing interest in Vastec	(718,286)
Gain on remeasurement	(208,759)

28. BUSINESS COMBINATIONS *(Continued)*

The fair values of the identifiable assets and liabilities of the Vastec Group as at the Acquisition Date were as follows:

	Notes	Fair value recognised on the Acquisition Date RMB'000
Property, plant and equipment		20,023
Right-of-use assets		12,874
Intangible assets		750,762
Deferred tax assets		601
Inventories		803,787
Trade and bills receivables		132,484
Prepayments, deposits and other receivables		150,676
Pledged deposits		11,810
Cash and bank balances		252,380
Trade and bills payables		(249,998)
Other payables and accruals		(100,652)
Amounts due to shareholders	(i)	(214,979)
Interest-bearing bank borrowings		(70,000)
Lease liabilities		(13,227)
Amount due to a related party		(21,377)
Tax payables		(21,923)
Deferred tax liabilities		(228,420)
Total identifiable net assets at fair value		1,214,821
Goodwill on acquisition		898,083
		2,112,904
Satisfied by:		
Promissory Note	(ii)	435,478
Fair value of pre-existing interest in Vastec		718,286
Consideration Shares	(iii)	959,140
		2,112,904

28. BUSINESS COMBINATIONS *(Continued)*

Notes:

(i) Pursuant to the Share Purchase Agreement, Vastec declared a dividend of RMB400,000,000 which shall be payable to the then shareholders in equal installments of RMB5,000,000 every 90 days since 25 January 2019, until such dividend is paid in full and unless: (i) upon the listing of the Company on the Stock Exchange ("Listing") and when the net proceeds of the initial public offering ("IPO") have been received and are available, all outstanding balance of such dividend shall be paid in full within 30 days therefrom; (ii) upon the occurrence of the termination of IPO, any outstanding balance of such dividend shall thereupon be canceled and forfeited in its entirety. The directors of the Company has designated the dividend payable as financial liability at fair value through profit or loss. The dividend payable has been fully settled during the year ended 31 December 2019.

The fair value of the dividend payable was determined by Roma Appraisal Limited ("Roma") based on the probabilistic flow method in which the directors of the Company estimated the outcome under two different scenarios with respective scenario probabilities.

Below is a summary of significant unobservable inputs to the valuation:

	Range
	2019
Probabilistic flow method	
Discount rate	**4.82% – 5.03%**

(ii) Pursuant to the Share Purchase Agreement, the Company issued a promissory note with a face value of RMB411,305,000 (the "Promissory Note"), which will be redeemable in cash (the "Deferred Cash Payment") in the following manners: in equal installments of RMB5,000,000 every 90 days since 25 January 2019, with the last installment payment being the outstanding balance of the Deferred Cash Payment, until all Deferred Cash Payment is paid in full and unless upon the occurrence of any of the following events: (i) upon the Listing and when the net proceeds of the IPO have been received and are available, all outstanding balance of the Deferred Cash Payment shall be paid in full within 30 days therefrom; (ii) upon the termination of IPO, within 30 days from the date of such board resolutions approving the termination of IPO. The Company uses its best endeavours to repay the outstanding balance of the Deferred Cash Payment by cash and confirms with Huatuo on the amount of the outstanding balance (if any) which it cannot repay. If the Company is unable to repay all or part of such outstanding balance of the Deferred Cash Payment, Huatuo shall have the right to settle such shortfall by subscribing for new shares of the Company at a subscription price of RMB25.44 per share (before the Capitalisation Issue) within 30 days from the date of such board resolutions approving the termination of IPO. The Company shall then allot and issue such number of new shares to Huatuo within 10 business days upon receipt of Huatuo's written notice informing the Company of its decision to subscribe for new shares; or (iii) if the Company fails to settle all of the Deferred Cash Payment on or before 31 December 2020, Huatuo shall have the right to settle such shortfall by subscribing for new shares at a subscription price of RMB25.44 per share within 30 days after 31 December 2020. The directors of the Company has designated the Promissory Note as financial liability at fair value through profit or loss. The Promissory Note has been fully settled during the year ended 31 December 2019.

28. BUSINESS COMBINATIONS *(Continued)*

Notes: (continued)

(ii) (continued)

The fair value of the Promissory Note was determined by Roma based on the probabilistic flow method in which the directors of the Company estimated the outcome under four different scenarios with respective scenario probabilities.

Below is a summary of significant unobservable inputs to the valuation:

	Range 2019
Probabilistic flow method	
Volatility	**35.24% – 35.58%**
Dividend yield	**2.179%**
Risk free rate	**2.32% – 2.52%**
Discount rate	**18.25%**

(iii) Fair value of the Consideration Shares was determined by Roma based on income approach. A discount rate of 14.54% has been used to calculate the fair value of the Consideration Shares at the Acquisition Date.

The fair values of the trade and bills receivables and prepayments, deposits and other receivables at the Acquisition Date amounted to RMB132,484,000 and RMB150,676,000, respectively. The gross contractual amounts of trade and bills receivables and prepayments, deposits and other receivables were RMB132,985,000 and RMB150,676,000, respectively.

No transaction cost was incurred for this acquisition.

None of the goodwill recognised is expected to be deductible for income tax purposes.

28. BUSINESS COMBINATIONS *(Continued)*

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the Acquisition Date. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

An analysis of the cash flows in respect of the business combination is as follows:

	RMB'000
Cash and bank balances acquired	252,380
Net inflow of cash and cash equivalents included in cash flows from investing activities	252,380

Since the Acquisition, the Vastec Group contributed RMB1,842,190,000 to the Group's revenue and RMB132,985,000 to the consolidated profit for the year ended 31 December 2019.

Had the Acquisition taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB2,480,265,000 and RMB153,057,000, respectively.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to the right-of-use assets and lease liabilities of RMB9,722,000 and RMB9,722,000, respectively, in respect of lease arrangements for buildings and service equipment.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities:

	Lease liabilities included in other payables RMB'000	Amounts due to shareholders RMB'000	Interest-bearing bank borrowings RMB'000
As at 1 January 2018 and 31 December 2018	–	320	–
Adoption of IFRS 16	7,443	–	–
New leases	9,722	–	–
Increase arising from acquisition of a subsidiary (note 28)	13,227	650,457	70,000
Settlement of the Promissory Note		(411,305)	–
Fair value loss on financial liabilities at fair value through profit or loss		80,621	–
Offset with dividend receivables from an associate	–	(85,992)	–
Included in changes from financing cash flows:			
New bank loans	–	–	647,531
Repayment of bank loans	–	–	(444,000)
Advance from shareholders	–	49,268	–
Repayment to shareholders	–	(240,320)	–
Accretion of interest recognised	1,061	–	–
Lease payments	(14,299)	–	–
Exchange realignment	14	6,219	–
As at 31 December 2019	**17,168**	**49,268**	**273,531**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	RMB'000
Within operating activities	(2,996)
Within financing activities	(14,299)
	(17,295)

30. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	**2019** **RMB'000**	2018 RMB'000
Sales of products:			
Vastec (Shanghai)	(i)	**43**	1,670
Alifax SH	(ii)	**138**	–
Beijing Sanpin Medical Technology Co., Ltd., Beijing Vastec and Jinqiao Vastec (collectively, the "Connected Distributors")*	(iii)	**41,367**	–
Purchases of products:			
Vastec (Shanghai)	(iv)	**11,177**	116,631
Hunan AKJD	(v)	**400**	576
Alifax SH	(v)	**258**	–
Connected Distributors	(vi)	**174**	–
Shinva and its subsidiaries (collectively, "Shinva Group")	(vii)	**2,453**	–
Service income:			
Vastec (Shanghai)	(ix)	**–**	8
Connected Distributors	(ix)	**14**	–
Shinva Group	(ix)	**9**	–
Service expenses:			
Vastec (Shanghai)	(ix)	**–**	8
Vastec	(ix)	**5**	61
Connected Distributors	(ix)	**3,404**	–
Rental expense:			
Mr. Lin	(x)	**–**	1,815

30. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties *(Continued)*

	Notes	**2019 RMB'000**	2018 RMB'000
Loan interest income:			
Vastec	(xi)	**67**	1,356
Loan interest expense:			
Mr. Ho	(xii)	**257**	–
Mr. Leung	(xii)	**257**	–
Depreciation of right-of-use assets:			
Shinva Group		**2,941**	–
Mr. Ho		**681**	–
Mr. Leung		**681**	–
Mr. Lin		**1,976**	–
Interest on lease liabilities:			
Shinva Group		**286**	–
Mr. Ho		**70**	–
Mr. Leung		**70**	–
Mr. Lin		**212**	–

Notes:

(i) The sales to an associate, Vastec (Shanghai), up to the Acquisition Date (i.e., 25 January 2019) were made according to the prices and conditions mutually agreed by the Group and the associate.

(ii) The sales to an associate, Alifax SH, were made according to the prices and conditions mutually agreed by the Group and the associate.

(iii) The sales to related companies which are under control of Mr. Yao Lin, a substantial shareholder of IVD China and is a connected person of the Group, were made according to the prices and conditions mutually agreed by the Group and these companies.

(iv) The purchases from an associate, Vastec (Shanghai), up to the Acquisition Date were made according to the prices and conditions mutually agreed by the Group and the associate.

30. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties *(Continued)*

Notes: *(Continued)*

(v) The purchases from associates, Alifax SH and Hunan AKJD, were made according to the prices and conditions mutually agreed by the Group and the associates.

(vi) The purchases from related companies which are under control of Mr. Yao Lin , a substantial shareholder of IVD China and is a connected person of the Group, were made according to the prices and conditions mutually agreed by the Group and the companies.

(vii) The purchases from the Shinva Group were made according to the prices and conditions mutually agreed by the Group and Shinva Group.

(viii) The purchases from a related company which is under control of Mr. Yao Lin, a substantial shareholder of IVD China and is a connected person of the Group, were made according to the prices and conditions mutually agreed by the Group and the company.

(ix) The service income and service expenses were based on the direct costs incurred.

(x) The rental expense paid was based on the market rate.

(xi) The loan interest income was calculated at an effective interest rate of 3.97% of the principal per annum for the years ended 31 December 2019 and 2018.

(xii) The loan interest expense was calculated at an effective interest rate of 4.2% of the principal per annum for the years ended 31 December 2019 and 2018.

* 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 since the listing of the shares on the Main Board of the Stock Exchange on 12 July 2019.

30. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2019	2018
	RMB'000	RMB'000
Short term employee benefits	**2,921**	2,706
Performance-related bonuses	**1,785**	2,789
Equity-settled share option expenses	**1,841**	–
Post-employment benefits	**268**	218
Total compensation paid to key management personnel	**6,815**	5,713

The above compensation of key management personnel excludes the directors' remuneration, details of which are set out in note 8 to the financial statements.

31. OPERATING LEASE COMMITMENTS

The Group leased certain of its office and warehouse properties under operating lease arrangements. Leases for offices and warehouses were negotiated for terms of 2 to 3 years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	RMB'000
Within one year	2,475
In the second to fifth years, inclusive	4,943
	7,418

32. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 31 December 2019 and 2018 are classified as financial assets and liabilities at amortised cost, respectively.

33. 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 value, are as follows:

	Carrying amounts		Fair values	
	31 December 2019 RMB'000	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Financial liabilities				
Interest-bearing bank borrowings	**273,531**	–	**264,300**	–

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals and balances with shareholders and related parties 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 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.

The Group did not have any financial assets and liabilities measured at fair value as at 31 December 2019 and 2018.

34. 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 and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

34. 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 cash equivalents).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2019		
RMB	**100**	**656**
HK$	**100**	**241**
US$	**100**	**5,550**
RMB	**(100)**	**(656)**
HK$	**(100)**	**(241)**
US$	**(100)**	**(5,550)**
2018		
RMB	100	860
HK$	100	96
US$	100	254
RMB	(100)	(860)
HK$	(100)	(96)
US$	(100)	(254)

34. 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 70.7% (2018: 29.6%) 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**
2019		
If RMB weakens against HK$	**1**	**324**
If RMB strengthens against HK$	**(1)**	**(324)**
If RMB weakens against US$	**1**	**6,246**
If RMB strengthens against US$	**(1)**	**(6,246)**
2018		
If RMB weakens against HK$	1	96
If RMB strengthens against HK$	(1)	(96)
If RMB weakens against US$	1	254
If RMB strengthens against US$	(1)	(254)

34. 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 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified Approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	393,961	393,961
Financial assets included in prepayments and other receivables**					
– Normal	4,448	–	–	–	4,448
Amounts due from associates**					
– Normal	1,141	–	–	–	1,141
Amounts due from shareholders**	1,296	–	–	–	1,296
Amounts due from related parties**	299	–	–	–	299
Cash and cash equivalents					
– Not yet past due	910,871	–	–	–	910,871
Pledged deposits	7,651	–	–	–	7,651
	925,706	–	–	393,961	1,319,667

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified Approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	165,089	165,089
Financial assets included in prepayments and other receivables**					
– Normal	1,652	–	–	–	1,652
Amounts due from associates**					
– Normal	22,292	–	–	–	22,292
Amounts due from shareholders**	837	–	–	–	837
Cash and cash equivalents					
– Not yet past due	115,364	–	–	–	115,364
	140,145	–	–	165,089	305,234

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

** The credit quality of the financial assets included in prepayments and other receivables, amounts due from subsidiaries, amounts due from associates and amounts due from shareholders are 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".

34. 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:

	2019				
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**Total RMB'000**
Lease liabilities	**–**	**3,363**	**8,183**	**7,724**	**19,270**
Interest-bearing bank borrowings	**–**	**171,809**	**105,138**	**–**	**276,947**
Trade payables	**339,193**	**–**	**–**	**–**	**339,193**
Other payables and accruals	**117,118**	**–**	**–**	**–**	**117,118**
Amounts due to shareholders	**49,268**	**–**	**–**	**–**	**49,268**
	505,579	**175,172**	**113,321**	**7,724**	**801,796**

	2018				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	36,454	–	–	–	36,454
Other payables and accruals	8,682	–	–	–	8,682
Amounts due to shareholders	320	–	–	–	320
	45,456	–	–	–	45,456

34. 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 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to owners of the parent. Net debt is the total of interest-bearing bank borrowings and amounts due to shareholders, less bank balances and cash. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Interest-bearing bank borrowings (note 23)	**273,531**	–
Amounts due to shareholders (note 19)	**49,268**	320
Less: Cash and cash equivalents (note 20)	**(910,871)**	(115,364)
Net debt	**(588,072)**	(115,044)
Equity attributable to owners of the parent	**2,818,666**	948,478
Gearing ratio	**Nil**	Nil

35. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the coronavirus disease 2019 ("COVID-19") since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from COVID-19 on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the directors confirm that there has been no material adverse change in the financial position of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information becomes available.

36. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the consolidated financial statements were not restated and Continued to be reported under the requirements of the previous standard, IAS 17, and related interpretations.

In addition, certain comparative amounts have been reclassified and re-presented to conform with the current year's presentation and disclosures.

37. 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:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,958,970**	63,153
Investment in an associate	**–**	430,823
Total non-current assets	**1,958,970**	493,976
CURRENT ASSETS		
Amounts due from subsidiaries	**117,815**	175,009
Amount due from a shareholder	**–**	–
Amount due from a related party	**32**	–
Cash and cash equivalents	**632,448**	36,136
Total current assets	**750,295**	211,145
CURRENT LIABILITIES		
Other payables	**2,171**	872
Amounts due to subsidiaries	**58,826**	–
Amount due to a shareholder	**49,268**	–
Interest-bearing bank borrowings	**69,531**	–
Total current liabilities	**179,796**	872
NET CURRENT ASSETS	**570,499**	210,273
Net assets	**2,529,469**	704,249
EQUITY		
Share capital	**4,569**	171
Reserves (note)	**2,524,900**	704,078
Total equity	**2,529,469**	704,249

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note: A summary of the Company's reserves is as follows:

	Share premium RMB'000 (note 27)	Merger reserves RMB'000 (note 27)	Share option reserve RMB'000 (note 27)	Exchange fluctuation reserve RMB'000 (note 27)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	637,374	63,907	–	(2,685)	(2,551)	696,045
Loss for the year	–	–	–	–	(3,245)	(3,245)
Other comprehensive income for the year:						
Exchange differences on translation of the Company's financial statements	–	–	–	11,278	–	11,278
Total comprehensive income for the year	–	–	–	11,278	(3,245)	8,033
At 31 December 2018 and 1 January 2019	**637,374**	**63,907**	**–**	**8,593**	**(5,796)**	**704,078**
Profit for the year	**–**	**–**	**–**	**–**	**222,395**	**222,395**
Other comprehensive income for the year:						
Exchange differences on translation of the Company's financial statements	**–**	**–**	**–**	**5,359**	**–**	**5,359**
Total comprehensive income for the year	**–**	**–**	**–**	**5,359**	**222,395**	**227,754**
Issue of Consideration Shares	**959,030**	**–**	**–**	**–**	**–**	**959,030**
Issue of shares pursuant to Share Offer	**897,663**	**–**	**–**	**–**	**–**	**897,663**
Issue of shares pursuant to the Capitalisation Issue	**(3,143)**	**–**	**–**	**–**	**–**	**(3,143)**
Share issue expenses	**(51,793)**	**–**	**–**	**–**	**–**	**(51,793)**
Equity-settled share option arrangement	**–**	**–**	**29,058**	**–**	**–**	**29,058**
Share options lapsed during the year	**–**	**–**	**(8,721)**	**–**	**–**	**(8,721)**
Final 2018 dividend	**–**	**–**	**–**	**–**	**(229,026)**	**(229,026)**
At 31 December 2019	**2,439,131**	**63,907**	**20,337**	**13,952**	**(12,427)**	**2,524,900**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2020.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, is set out below.

RESULTS

	Year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**2,332,740**	413,635	338,268	290,441
PROFIT BEFORE TAX	**296,940**	117,622	128,320	66,060
Income tax expense	**(42,121)**	(18,114)	(15,724)	(8,894)
PROFIT FOR THE YEAR	**254,819**	99,508	112,596	57,166
Attributable to:				
Owners of the parent	**275,001**	103,440	110,735	56,268
Non-controlling interests	**(20,182)**	(3,932)	1,861	898
	254,819	99,508	112,596	57,166

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December			
	2019	2018	2017	2016
Total assets	**3,870,260**	1,040,040	933,634	829,100
Total liabilities	**(1,064,087)**	(84,313)	(81,019)	(74,721)
Non-controlling interests	**12,493**	(7,249)	(11,669)	(9,422)
	2,818,666	948,478	840,946	744,957

The summary of the consolidated results of the Group for the three years ended 31 December 2016, 2017 and 2018 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 December 2016, 2017 and 2018 have been extracted from the Prospectus. Such summary is presented on the basis set out in the Prospectus.

The financial information for the year ended 31 December 2015 was not disclosed as the consolidated financial statements for the Group have not been prepared for that year.