Audited Financial Statements

PANGENIA INC.

Years ended 31 March 2021, 2022 and 2023 and for the nine months ended 31 December 2023

Building a better working world

PANGENIA INC

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Independent auditor's report
To the directors of Pangenia Inc.
(Incorporated in British Virgin Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Pangenia Inc. (the "Target Company") and its subsidiaries (the "Target Group") set out on pages 5 to 66, which comprise the consolidated statements of financial position as at 31 March 2021, 2022 and 2023 and 31 December 2023, and the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended 31 March 2021, 2022 and 2023, and the nine months ended 31 December 2023 (the "Relevant Periods"), and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Target Group and of the Target Company as at 31 March 2021, 2022 and 2023 and 31 December 2023 and of the Target Group's consolidated financial performance and its consolidated cash flows for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.2 to the consolidated financial statements.

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 (the "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 Target 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.

Other matter

Without modifying our opinion, we draw attention to the fact that the financial information for the nine months ended 31 December 2022 (the "Interim Comparative Information") is unaudited.

Independent auditor's report (continued)
To the directors of Pangenia Inc.
(Incorporated in British Virgin Islands with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors of the Target Company are responsible for the preparation of the consolidated financial statements, which also include the Interim Comparative Information, that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA, 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 Target Company are responsible for assessing the Target 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 Target Company either intend to liquidate the Target Group or to cease operations or have no realistic alternative but to do so.

The directors of the Target Company are responsible for overseeing the Target 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 for the Relevant Periods 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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 Target 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 Target 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 Target 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 Target 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.

We communicate with the board of directors of the Target Company 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.

Independent auditor's report (continued)
To the directors of Pangenia Inc
(Incorporated in British Virgin Islands with limited liability)

Restriction on distribution and use

These consolidated financial statements are prepared for the purpose of preparation of financial information for inclusion in the circular of EC Healthcare in connection with its proposed acquisition of an additional 12.38% equity interest in the Target Company from 42.88% to 55.26% and accordingly may not be suitable for another purpose.

Our report is intended solely for the information and use by the directors of EC Healthcare and the directors of the Target Company and should not be distributed to or used by parties other than EC Healthcare and the Target Company.

Certified Public Accountants
Hong Kong
11 June 2024

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2021 HK$'000	2022 HK$'000	2023 HK$'000	Nine months ended 31 December 2022 HK$'000 (Unaudited)	2023 HK$'000
Revenue	5	269,374	287,318	319,906	251,529	221,004
Cost of sales		(168,174)	(167,736)	(164,692)	(131,365)	(110,097)
Cost of services		(25,395)	(27,829)	(36,406)	(28,486)	(28,915)
Gross profit		75,805	91,753	118,808	91,678	81,992
Other income and gains, net	6	15,297	1,935	4,428	3,490	466
Research and development expenses		(6,010)	(5,448)	(3,647)	(3,232)	(2,175)
Selling and distribution expenses		(14,514)	(13,438)	(15,081)	(10,939)	(14,971)
Administrative expenses		(73,869)	(61,459)	(60,122)	(44,638)	(46,421)
Finance cost	7	(228)	(187)	(163)	(123)	(109)
PROFIT/(LOSS) BEFORE TAX	8	(3,519)	13,156	44,223	36,236	18,782
Income tax	9	(1,499)	(7,249)	(6,401)	(7,358)	(3,961)
PROFIT/(LOSS) FOR THE YEAR/ PERIOD		(5,018)	5,907	37,822	28,878	14,821
Attributable to:						
Owners of the parent		(5,205)	5,708	37,552	28,646	14,636
Non-controlling interests		187	199	270	232	185
		(5,018)	5,907	37,822	28,878	14,821
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
Basic and diluted	10	HK$(0.19)	HK$0.21	HK$1.40	HK$1.07	HK$0.55

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Notes	Year ended 31 March			Nine months ended 31 December	
		2021	2022	2023	2022	2023
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
PROFIT/(LOSS) FOR THE YEAR/ PERIOD		(5,018)	5,907	37,822	28,878	14,821
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		433	108	(375)	67	1,112
Release of exchange fluctuation reserve		(153)	—	—	—	—
Other comprehensive income/(loss) for the year/period		280	108	(375)	67	1,112
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		(4,738)	6,015	37,447	28,945	15,933
Total comprehensive income/(loss) for the year/period attributable to:						
Owners of the parent		(4,925)	5,816	37,177	28,713	15,748
Non-controlling interests		187	199	270	232	185
		(4,738)	6,015	37,447	28,945	15,933

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March 2021 HK$'000	As at 31 March 2022 HK$'000	As at 31 March 2023 HK$'000	As at 31 December 2023 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	22,464	17,119	16,796	20,996
Intangible assets	*12*	51,620	49,279	46,999	45,293
Deposits	*13*	2,706	3,431	3,078	3,056
Deferred tax assets	*21*	3,103	2,842	2,838	2,862
Total non-current assets		79,893	72,671	69,711	72,207
CURRENT ASSETS					
Inventories	*14*	31,803	26,994	20,622	27,119
Trade receivables	*15*	48,917	34,319	33,291	51,060
Prepayments, deposits and other receivables	*13*	9,015	12,183	12,125	10,374
Due from related companies	*26(c)*	3,952	1,427	—	—
Due from directors	*26(c)*	3,375	2,459	1,817	1,716
Cash and cash equivalents	*16*	83,423	84,524	143,016	158,659
Total current assets		180,485	161,906	210,871	248,928
CURRENT LIABILITIES					
Trade payables	*17*	(16,435)	(9,825)	(13,490)	(35,132)
Other payables and accruals	*18*	(17,024)	(16,592)	(14,343)	(15,980)
Due to related companies	*26(c)*	(3)	(614)	(1,656)	(2,243)
Tax payable		(1,888)	(2,236)	(1,229)	(5,201)
Contract liabilities	*20*	(30,760)	(23,046)	(29,305)	(20,630)
Lease liabilities	*22*	(4,654)	(4,381)	(2,877)	(5,208)
Total current liabilities		(70,764)	(56,694)	(62,900)	(84,394)
NET CURRENT ASSETS		109,721	105,212	147,971	164,534
TOTAL ASSETS LESS CURRENT LIABILITIES		189,614	177,883	217,682	236,741

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	Notes	As at 31 March 2021 HK$'000	As at 31 March 2022 HK$'000	As at 31 March 2023 HK$'000	As at 31 December 2023 HK$'000
NON-CURRENT LIABILITIES					
Lease liabilities	22	(3,465)	(608)	(2,747)	(6,187)
Deferred tax liabilities	21	(2,558)	(2,669)	(3,082)	(2,768)
Total non-current liabilities		(6,023)	(3,277)	(5,829)	(8,955)
Net assets		183,591	174,606	211,853	227,786
EQUITY					
Equity attributable to owners of the parent					
Share capital	23	271,564	271,564	271,564	271,564
Reserves	24	(87,742)	(96,926)	(59,749)	(44,001)
		183,822	174,638	211,815	227,563
Non-controlling interests		(231)	(32)	38	223
Total equity		183,591	174,606	211,853	227,786

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Lee Heung Wing
Director

....
Hau Kwok Po
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital HK$'000	Merger reserve* HK$'000 (note 24)	Fair value reserve of financial assets at fair value through other comprehensive income* HK$'000	Other reserve* HK$'000 (note 24)	Deemed contribution reserve* HK$'000 (note 24)	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Year ended 31 March 2021										
At 1 April 2020	271,564	(76,632)	(2,948)	2,338	(68,745)	(1,345)	64,515	188,747	3,797	192,544
Loss for the year	–	–	–	–	–	–	(5,205)	(5,205)	187	(5,018)
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	433	–	433	–	433
Release of exchange fluctuation reserve *(note 25(d))*	–	–	–	–	–	(153)	–	(153)	–	(153)
Total comprehensive income/(loss) for the year	–	–	–	–	–	280	(5,205)	(4,925)	187	(4,738)
Disposal of a subsidiary *(note 25(d))*	–	–	–	(3,236)	–	–	3,236	–	(4,215)	(4,215)
At 31 March 2021	271,564	(76,632)	(2,948)	(898)	(68,745)	(1,065)	62,546	183,822	(231)	183,591
Year ended 31 March 2022										
At 1 April 2021	271,564	(76,632)	(2,948)	(898)	(68,745)	(1,065)	62,546	183,822	(231)	183,591
Profit for the year	–	–	–	–	–	–	5,708	5,708	199	5,907
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	108	–	108	–	108
Total comprehensive income for the year	–	–	–	–	–	108	5,708	5,816	199	6,015
Interim 2021 dividend *(note 26(d))*	–	–	–	–	–	–	(15,000)	(15,000)	–	(15,000)
At 31 March 2022	271,564	(76,632)	(2,948)	(898)	(68,745)	(957)	53,254	174,638	(32)	174,606

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Issued capital HK$'000	Merger reserve* HK$'000 (note 24)	Fair value reserve of financial assets at fair value through other comprehensive income* HK$'000	Other reserve* HK$'000 (note 24)	Deemed contribution reserve* HK$'000 (note 24)	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Year ended 31 March 2023										
At 1 April 2022	271,564	(76,632)	(2,948)	(898)	(68,745)	(957)	53,254	174,638	(32)	174,606
Profit for the year	–	–	–	–	–	–	37,552	37,552	270	37,822
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(375)	–	(375)	–	(375)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(375)	37,552	37,177	270	37,447
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(200)	(200)
At 31 March 2023	271,564	(76,632)	(2,948)	(898)	(68,745)	(1,332)	90,806	211,815	38	211,853
Nine months ended 31 December 2022 (unaudited)										
At 1 April 2022	271,564	(76,632)	(2,948)	(898)	(68,745)	(957)	53,254	174,638	(32)	174,606
Profit for the period	–	–	–	–	–	–	28,646	28,646	232	28,878
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	67	–	67	–	67
Total comprehensive income for the period	–	–	–	–	–	67	28,646	28,713	232	28,945
At 31 December 2022	271,564	(76,632)	(2,948)	(898)	(68,745)	(890)	81,900	203,351	200	203,551

	Issued capital	Merger reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Other reserve*	Deemed contribution reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interest	Total equity
	HK$'000	*HK$'000* *(note 24)*	*HK$'000*	*HK$'000* *(note 24)*	*HK$'000* *(note 24)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Nine months ended 31 December 2023										
At 1 April 2023	271,564	(76,632)	(2,948)	(898)	(68,745)	(1,332)	90,806	211,815	38	211,853
Profit for the period	—	—	—	—	—	—	14,636	14,636	185	14,821
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	1,112	—	1,112	—	1,112
Total comprehensive income for the period	—	—	—	—	—	1,112	14,636	15,748	185	15,933
At 31 December 2023	271,564	(76,632)	(2,948)	(898)	(68,745)	(220)	105,442	227,563	223	227,786

* *These reserve accounts comprise the consolidated reserves with a debit of HK$87,742,000, HK$96,926,000, HK$59,749,000 and HK$44,001,000 as at 31 March 2021, 2022 and 2023 and 31 December 2023, respectively, in the consolidated statements of financial position.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March 2021 HK$'000	Year ended 31 March 2022 HK$'000	Year ended 31 March 2023 HK$'000	Nine months ended 31 December 2022 HK$'000 (Unaudited)	Nine months ended 31 December 2023 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		(3,519)	13,156	44,223	36,236	18,782
Adjustments for:						
Gain on disposal of a subsidiary	6	(3,868)	—	—	—	—
Interest income	6	(20)	(13)	(31)	(13)	(190)
Finance cost	7	228	187	163	123	109
Depreciation of property, plant and equipment	8	5,601	3,815	3,687	2,765	2,829
Depreciation of right-of-use assets	8	5,696	5,479	5,802	4,344	3,058
Amortisation of intangible assets	8	2,632	2,341	2,280	1,710	1,706
Impairment of trade receivables, net	8	2,787	(955)	(28)	(28)	145
Loss on deregistration of a subsidiary		—	—	—	—	1,032
Fair value loss of convertible loan	8	7,995	1,131	377	—	—
Write-off of items of property, plant and equipment	8	2,224	930	23	—	—
		19,756	26,071	56,496	45,137	27,471
Decrease/(increase) in inventories		(6,757)	4,809	6,372	6,694	(6,497)
Decrease/(increase) in trade receivables		(14,946)	15,553	1,056	(17,700)	(17,914)
Decrease/(increase) in prepayments, deposits and other receivables		28,178	(5,024)	34	74	1,773
Increase/(decrease) in trade payables		(6,814)	(6,610)	3,665	2,156	21,642
Increase/(decrease) in other payables and accruals		14,301	(432)	(2,249)	2,354	1,637
Increase/(decrease) in contract liabilities		431	(7,714)	6,259	(129)	(8,675)
Increase in amounts due from related companies		557	3,242	2,469	3,501	587
Increase/(decrease) in amounts due from directors		(3,341)	916	642	2,447	101
Cash generated from operations		31,365	30,811	74,744	44,534	20,125
Hong Kong profits tax paid		(1,610)	(6,530)	(8,433)	(914)	(798)
Net cash flows from operating activities		29,755	24,281	66,311	43,620	19,327

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended 31 March 2021 HK$'000	2022 HK$'000	2023 HK$'000	Nine months ended 31 December 2022 HK$'000 (Unaudited)	2023 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		20	13	31	13	190
Purchases of items of property, plant and equipment		(7,450)	(2,270)	(2,724)	(2,099)	(1,503)
Addition to other intangible assets		(80)	—	—	—	—
Disposal of a subsidiary	25(c)	4,611	—	—	—	—
Payment ofconvertible loan		(7,995)	(1,131)	(377)	—	—
Net cash flows used in investing activities		(10,894)	(3,388)	(3,070)	(2,086)	(1,313)
CASH FLOWS FROM FINANCING ACTIVITIES						
Principal portion of lease payments		(5,549)	(5,717)	(5,856)	(4,320)	(2,829)
Dividends paid		—	(15,000)	—	—	—
Dividends paid to non-controlling shareholders		—	—	(200)	(200)	—
Cash flows used in financing activities		(5,549)	(20,717)	(6,056)	(4,520)	(2,829)
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,312	176	57,185	37,014	15,185
Cash and cash equivalents at beginning of year/period		69,081	83,423	84,524	84,524	143,016
Effect of foreign exchange rate changes, net		1,030	925	1,307	(241)	458
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		83,423	84,524	143,016	121,297	158,659

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the British Virgin Islands (the ''BVI''). The address of the registered office of the Target Company is Vistra Corporation Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Target Company is an investment holding company. During the Relevant Periods, the Target Company and its subsidiaries (collectively the ''Target Group'') are principally engaged in the provision of laboratory testing services, the distribution of medical laboratory equipment and consumables and the provision of maintenance services. There has been no significant change in the Target Group's principal activities during the Relevant Periods.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Diagcor Bioscience Incorporation Limited *(note e)*	Hong Kong	HK$28,717,166	100	—	Investment holding and provision of laboratory testing services
Pangenia Lifesciences Limited *(note a)*	Hong Kong	HK$1	—	100	Provision of laboratory testing services
22 Plus Genomic Information Technology Limited *(note a)*	Hong Kong	HK$10,000	—	100	Provision of clinical tests
Pangenia Genomics Limited *(note b)*	Hong Kong	HK$10,000	—	100	Dormant
Prestige Season Limited *(note g)*	Samoa	US$1	—	100	Investment holding
Bio-gene Technology Limited *(note c)*	Hong Kong	HK$10,000	—	100	Trading of laboratory products
Grandtech Scientific Hong Kong Limited *(note c)*	Hong Kong	HK$10,000	—	100	Trading of laboratory products
Grandtech Scientific China Limited *(note c)*	Hong Kong	HK$10,000	—	100	Trading of laboratory products
廣州伯齊生物科技有限公司 Guangzhou Boqi Biotechnology Ltd.* *(note h)*	People's Republic of China (''PRC'')/ Mainland China	RMB1,500,000	—	100	Trading of laboratory products
廣州雅康醫療科技有限公司 Guangzhou Yakang Medical Technology Ltd.* *(note d)*	PRC/Mainland China	RMB1,500,000	—	100	Trading of laboratory products

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ share capital	Percentage of equity attributable to the Target Company		Principal activities
			Direct	Indirect	
廣州進科馳安科技有限公司 Guangzhou Jinkechian Technology Ltd.* *(note d)*	PRC/Mainland China	RMB1,500,000	—	100	Trading of laboratory products
北京進科馳安科技有限公司 Beijing Jinkechian Technology Ltd.* *(note d)*	PRC/Mainland China	RMB1,500,000	—	100	Trading of laboratory products
Bio-Technology Limited	Laboratory Company Ltd.* *(note i)*				
(note f)	Hong Kong	HK$50,000	—	80	Provision of laboratory testing service
Simply Bliss Limited *(note g)*	Samoa	US$1	100	—	Investment holding
Total Bliss Limited *(note g)*	Samoa	US$1	100	—	Investment holding
Perfect Sunshine Limited *(note g)*	Samoa	US$1	100	—	Investment holding
廣州達雅高桐樹醫學檢驗實驗室有限公司 Guangzhou DiagCor Tongshu Medical	PRC/Mainland China	RMB48,000,000	—	66	Provision of laboratory testing service

* *The English names of these subsidiaries represent the directors' best efforts at translating the Chinese names of these companies as no English names have been registered.*

Notes:

(a) The statutory financial statements of these companies for the years ended 31 March 2021 and 2022 prepared under Hong Kong Small and Medium-Sized Entity Financial Reporting Standards (''SME-FRS'') were audited by Shinewing (HK) CPA Limited, certified public accountants registered in Hong Kong.

(b) The statutory financial statements of this company for the years ended 31 March 2021 and 2022 prepared under SME-FRS were audited by Sinno International CPA Limited, certified public accountants registered in Hong Kong.

(c) The statutory financial statements of these companies for the years ended 31 March 2021, 2022 and 2023 prepared under SME-FRS were audited by Li, Tang, Chen & Co, certified public accountants registered in Hong Kong.

(d) The statutory financial statements of these companies for the years ended 31 December 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles were audited by Guangzhou Ruixing Certified Public Accountants, certified public accountants registered in the PRC.

(e) No statutory audited financial statements have been prepared for this company since 31 March 2020.

(f) No statutory audited financial statements have been prepared for this company since its incorporation. The non-controlling shareholders are two individuals, Ms, Chan Chiu Wah and Mr. Kwan Ping Chiu, each being an independent third party to the Target Group.

(g) No audited financial statements have been prepared for these companies since their incorporation as these companies are incorporated in jurisdictions which do not have any statutory audit requirements for these companies.

(h) The statutory financial statements of this company for the years ended 31 December 2021, 2022 and 2023 prepared under PRC Generally Accepted Accounting Principles were audited by Guangzhou Ruixing Certified Public Accountants, certified public accountants registered in the PRC.

(i) On 24 December 2021, the Target Group disposed of its 66% equity interest in 廣州達雅高桐樹醫學檢驗實驗室有限公司 (Guangzhou DiagCor Tongshu Medical Laboratory Company Ltd.). Further details of this disposal are included in note 25(c) to the consolidated financial statements.

2.1 BASIS OF PREPARATION

The financial statements are prepared for the purpose of preparation of financial information for inclusion in the circular of EC Healthcare in connection with its proposed acquisition of an additional 12.38% equity interest in the Target Company from 42.88% to 55.26%. They have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (''HKASs'') and Interpretations) issued by the HKICPA in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2023 together with the relevant transitional provisions, have been early adopted by the Target Group throughout the Relevant Periods and the period covered by the Interim Comparative Information.

Basis of consolidation

The consolidated financial statements include the financial statements of the Target Group for each of the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target 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 Target Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Target Company has less than a majority of the voting or similar rights of an investee, the Target 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 Target Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target 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 Target 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 Target Group are eliminated in full on consolidation.

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

If the Target Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Target 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 Target Group had directly disposed of the related assets or liabilities.

These financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss/other comprehensive income which have been measured at fair value. They are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

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

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

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

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

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

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

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

2.3 MATERIAL ACCOUNTING POLICIES

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 Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non- controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

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 Target Group's previously held equity interests in the acquiree over the identifiable 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 Target Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target 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 Target 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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

An assessment is made at the end of each 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 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.

Related parties

A party is considered to be related to the Target 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 Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target 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 Target 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 Target Group or an entity related to the Target 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 Target Group or to the parent of the Target Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. 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 Target 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:

Furniture and fixtures	10–20%
Leasehold improvements	Over the shorter of the terms of the lease or 5 to 6 years
Laboratory equipment	20–33%
Computer equipment	20–33%
Office equipment	20–33%

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.

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.

The principal annual rates used for this purpose are as follows:

Trademark	$33^1/_3\%$
Customer relationships	$12^1/_2\%–16^2/_3\%$
Others	$10\%–33^1/_3\%$

Leases

The Target 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 Target Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target 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 accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. 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 the lease terms and the estimated useful lives of the assets as follows:

Properties leased for own use	1 to 3 years

(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 Target Group and payments of penalties for termination of a lease, if the lease term reflects the Target Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target 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.

(c) Short-term leases

The Target Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first- in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them with the exception of trade receivables. The Target Group initially measures a financial asset at its fair value, plus transaction costs.

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

The Target 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 objective of both holding to collect contractual flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement of financial assets at amortised cost (debt instruments)

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

Subsequent measurement of financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Target Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Target Group and the amount of the dividend can be measured reliably, except when the Target Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Subsequent measurement of financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments which the Target Group had not irrevocably elected to classify at fair value through other comprehensive income.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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 Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target 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 Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target 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 Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target 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 Target 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 Target Group could be required to repay.

Impairment of financial assets

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

General approach

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

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target 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 Target Group considers that there has been a significant increase in credit risk when contractual payments are more than three months past due.

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

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12- month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement of financial liabilities at amortised cost (trade and other payables)

After initial recognition, trade and other payables are subsequently measured at amortised cost, using the effective interest rate 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 effective interest rate 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 effective interest rate. The effective interest rate amortisation is recognised 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 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.

Cash and cash equivalents

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

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

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/jurisdictions in which the Target 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.

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, 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 future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future 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 each 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 each 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.

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

Government grants

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

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 Target Group expects to be entitled in exchange for those goods or services.

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

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

(a) Sale of medical laboratory equipment and consumables

Revenue from the sale of medical laboratory equipment and consumables is recognised at the point in time when control of the asset is transferred to the customer, generally upon completion of installation or delivery of the medical laboratory equipment and delivery of consumables.

(b) Provision of maintenance services

The Target Group provides maintenance services that are either sold separately or bundled together with the sale of medical laboratory equipment to a customer. The maintenance services can be obtained from other providers and do not significantly customise or modify the medical laboratory equipment.

Contracts for bundled sales of the medical laboratory equipment and maintenance services are comprised of two performance obligations because the promises to transfer the medical laboratory equipment and provide maintenance services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the medical laboratory equipment products and maintenance services.

Revenue from the provision of maintenance services is recognised over the scheduled period on a straight line basis because the customer simultaneously receives and consumes the benefits provided by the Target Group.

(c) Provision of laboratory testing services

Revenue from the provision of laboratory testing services is recognised at point in time upon the completion of laboratory testing services.

Revenue from other sources

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

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 Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the ''MPF Scheme'') under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of 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 Target Group in an independently administered fund. The Target Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The employees of the Target Group's subsidiaries which operate in Chinese Mainland are required to participate in central pension schemes operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Dividends

Interim dividends are simultaneously proposed and declared, because the Target 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

Foreign currency transactions

These financial statements are presented in Hong Kong dollars, which is the Target Company's functional currency. Each entity in the Target 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 Target 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 the 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.

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 Target 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 Target Group determines the transaction date for each payment or receipt of the advance consideration.

Foreign operations

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Target Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target 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 each of the Relevant Periods, 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.

Impairment of non-financial assets

The Target Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables

The Target Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Target Group's historical observed default rates.

The Target Group will calibrate the provision matrix with forward-looking information to adjust the credit loss rates. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the health and life science sector, the historical default rates, probability of default and loss given default are adjusted. At each reporting date, the historical observed default rates, probability of default and loss given default are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Target Group's trade receivables is disclosed in note 15 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Target Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the trading of laboratory equipment and consumables segment trades medical laboratory equipment and consumables and provides maintenance services;

(b) the laboratory services segment provides medical and laboratory tests;

Management monitors the results of the Target Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Target Group's profit/(loss) before tax from continuing operations except that interest income, non-lease- related finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 March 2021	Trading of laboratory equipment and consumables	Laboratory services	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue *(note 5)*			
Sales to external customers	240,977	28,397	269,374
Intersegment sales	—	3,625	3,625
Total segment revenue	240,977	32,022	272,999
Reconciliation:			
Elimination of intersegment sales			(3,625)
Revenue			269,374
Segment results	26,192	(22,008)	4,184
Reconciliation:			
Interest income			20
Corporate and other unallocated expenses			(7,723)
Loss before tax			(3,519)
Segment assets	142,394	230,130	372,524
Reconciliation:			
Elimination of intersegment receivables			(198,672)
Corporate and other unallocated assets			86,526
Total assets			260,378
Segment liabilities	62,428	208,585	271,013
Reconciliation:			
Elimination of intersegment payables			(198,672)
Corporate and other unallocated liabilities			4,446
Total liabilities			76,787
Other segment information			
Depreciation of property, plant and equipment	2,117	3,484	5,601
Depreciation of right-of-use assets	2,080	3,616	5,696
Amortisation	2,050	312	2,362
Impairment of trade receivables, net	(54)	2,841	2,787
Write-off of property, plant and equipment	—	2,224	2,224

Year ended 31 March 2022	Trading of laboratory equipment and consumables	Laboratory services	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue *(note 5)*			
Sales to external customers	253,826	33,492	287,318
Intersegment sales	—	3,255	3,255
Total segment revenue	253,826	36,747	290,573
Reconciliation:			
Elimination of intersegment sales			(3,255)
Revenue			287,318
Segment results	36,928	(22,892)	14,036
Reconciliation:			
Interest income			13
Corporate and other unallocated expenses			(893)
Profit before tax			13,156
Segment assets	125,838	224,873	350,711
Reconciliation:			
Elimination of intersegment receivables			(203,500)
Corporate and other unallocated assets			87,366
Total assets			234,577
Segment liabilities	42,486	216,080	258,566
Reconciliation:			
Elimination of intersegment payables			(203,500)
Corporate and other unallocated liabilities			4,905
Total liabilities			59,971
Other segment information			
Depreciation of property, plant and equipment	648	3,167	3,815
Depreciation of right-of-use assets	2,846	2,633	5,479
Amortisation	2,050	291	2,341
Impairment of trade receivables, net	40	(995)	(955)
Write-off of property, plant and equipment	—	930	930

Year ended 31 March 2023	Trading of laboratory equipment and consumables	Laboratory services	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue *(note 5)*			
Sales to external customers	252,298	67,608	319,906
Intersegment sales	—	3,420	3,420
Total segment revenue	252,298	71,028	323,326
Reconciliation:			
Elimination of intersegment sales			(3,420)
Revenue			319,906
Segment results	30,803	13,713	44,516
Reconciliation:			
Interest income			31
Corporate and other unallocated expenses			(324)
Profit before tax			44,223
Segment assets	118,831	222,088	340,919
Reconciliation:			
Elimination of intersegment receivables			(206,191)
Corporate and other unallocated assets			145,854
Total assets			280,582
Segment liabilities	55,442	215,167	270,609
Reconciliation:			
Elimination of intersegment payables			(206,191)
Corporate and other unallocated liabilities			4,311
Total liabilities			68,729
Other segment information			
Depreciation of property, plant and equipment	831	2,856	3,687
Depreciation of right-of-use assets	3,118	2,684	5,802
Amortisation	2,050	230	2,280
Impairment of trade receivables, net	(2)	(26)	(28)
Write-off of property, plant and equipment	—	23	23

Nine months ended 31 December 2022 (Unaudited)	Trading of laboratory equipment and consumables	Laboratory services	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue *(note 5)*			
Sales to external customers	201,624	49,905	251,529
Intersegment sales	525	2,208	2,733
Total segment revenue	202,149	52,113	254,262
Reconciliation:			
Elimination of intersegment sales			(2,733)
Revenue			251,529
Segment results	29,784	6,463	36,247
Reconciliation:			
Interest income			13
Corporate and other unallocated expenses			(24)
Profit before tax			36,236
Other segment information:			
Depreciation of property, plant and equipment	581	2,184	2,765
Depreciation of right-of-use assets	2,332	2,012	4,344
Amortisation	1,616	94	1,710
impairment of trade receivables, net	2	26	28

Nine months ended 31 December 2023	Trading of laboratory equipment and consumables	Laboratory services	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue *(note 5)*			
Sales to external customers	188,381	32,623	221,004
Intersegment sales	—	1,933	1,933
Total segment revenue	188,381	34,556	222,937
Reconciliation:			
Elimination of intersegment sales			(1,933)
Revenue			221,004
Segment results	21,896	(3,072)	18,824
Reconciliation:			
Interest income			190
Corporate and other unallocated expenses			(232)
Profit before tax			18,782
Segment assets	129,216	231,187	360,403
Reconciliation:			
Elimination of intersegment receivables			(200,789)
Corporate and other unallocated assets			161,521
Total assets			321,135
Segment liabilities	69,657	216,512	286,169
Reconciliation:			
Elimination of intersegment payables			(200,789)
Corporate and other unallocated liabilities			7,969
Total liabilities			93,349
Other segment information			
Depreciation of property, plant and equipment	704	2,125	2,829
Depreciation of right-of-use assets	776	2,282	3,058
Amortisation	1,538	168	1,706
Impairment of trade receivables, net	143	2	145
Loss on deregistration of a subsidiary	1,032	—	1,032

Geographical information

(a) Revenue from external customers

	Year ended 31 March			Nine months ended 31 December	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Hong Kong	260,653	276,836	292,430	232,791	194,655
China Mainland	8,721	10,482	27,476	18,738	26,349
Total revenue	269,374	287,318	319,906	251,529	221,004

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

(b) Non-current assets

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	76,157	69,139	65,220	68,299
China Mainland	633	690	1,653	1,046
Total non-current assets	76,790	69,829	66,873	69,345

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

Information about major customers

No further information about major customers is presented as no more than 10% of the Target Group's revenue was derived from sales to any single customers.

5. REVENUE

	Year ended 31 March			Nine months ended 31 December	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue from contracts with customers	269,374	287,318	319,906	251,529	221,004

Revenue from contracts with customers

(a) *Disaggregated revenue information for revenue from contracts with customers*

	Year ended 31 March			Nine months ended 31 December	
	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*	2022 *HK$'000* (Unaudited)	2023 *HK$'000*
Types of goods or services					
Sales of laboratory equipment and consumables	231,810	243,684	240,323	173,670	173,950
Maintenance service income	9,167	10,142	11,975	27,954	14,431
Laboratory service income	28,397	33,492	67,608	49,905	32,623
Total revenue from contracts with customers	269,374	287,318	319,906	251,529	221,004
Timing of revenue recognition					
Goods and services transferred at a point in time	260,207	277,176	307,931	223,575	206,573
Services transferred over time	9,167	10,142	11,975	27,954	14,431
Total revenue from contracts with customers	269,374	287,318	319,906	251,529	221,004

The following table shows the amounts of revenue recognised in the current reporting period that was included in contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 March	Nine months ended 31 December

	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*	2022 *HK$'000* (Unaudited)	2023 *HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:					
Trading of laboratory equipment	10,987	21,245	14,652	13,038	19,143
Maintenance service income	628	431	238	178	897
	11,615	21,676	14,890	13,216	20,040

(b) *Performance obligations*

Information about the Target Company's performance obligations is summarised below:

Sales of laboratory equipment and consumables

The performance obligation is satisfied upon completion of installation or delivery of the laboratory equipment and delivery of consumables and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Maintenance services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of maintenance services and customers' acceptance, except for new customers, where payment in advance is normally required.

Laboratory testing services

The performance obligation is satisfied upon completion of the laboratory testing services.

OTHER INCOME AND GAINS

	Year ended 31 March			Nine months ended 31 December	
	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*	2022 *HK$'000* (Unaudited)	2023 *HK$'000*
Bank interest income	20	13	31	13	190
Government grants*	7,709	—	2,576	2,546	—
Administrative expenses recharge to a related company	2,102	923	931	757	259
Foreign exchange difference, net	1,012	544	263	—	—
Gain on disposal of a subsidiary	3,868	—	—	—	—
Others	586	455	627	174	17
	15,297	1,935	4,428	3,490	466

* The Government subsidies were granted under the Anti-epidemic Fund during the year/period. There were no unfulfilled conditions relating to these grants.

6. FINANCE COST

	Year ended 31 March			Nine months ended 31 December	
	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*	2022 *HK$'000* (Unaudited)	2023 *HK$'000*
Interest on lease liabilities	228	187	163	123	109

7. PROFIT/(LOSS) BEFORE TAX

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

		Year ended 31 March			Nine months ended 31 December	
	Notes	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*	2022 *HK$'000* (Unaudited)	2023 *HK$'000*
Cost of inventories sold		168,174	167,736	164,692	131,365	110,097
Cost of services provided		25,395	27,829	36,406	28,486	28,915
Depreciation of property, plant and equipment	*11*	5,601	3,815	3,687	2,765	2,829
Depreciation of right-of-use assets	*11*	5,696	5,479	5,802	4,344	3,058
Amortisation	*12*	2,362	2,341	2,280	1,710	1,706
Research and development costs:						
Current year expenditure		4,865	6,568	4,450	3,669	2,535
Less: Government grants#		(371)	(1,120)	(670)	(437)	(420)
Net current year expenditure		4,494	5,448	3,780	3,232	2,115

	Notes	Year ended 31 March 2021 HK$'000	2022 HK$'000	2023 HK$'000	Nine months ended 31 December 2022 HK$'000 (Unaudited)	2023 HK$'000
Lease payments not included in the measurement of lease liabilities	22(c)	289	93	168	58	714
Employee benefit expense (excluding directors' remuneration):						
Wages, salaries, allowances and benefits in kind		60,846	67,059	65,897	49,794	52,988
Pension scheme contributions (defined contribution schemes)		1,909	1,954	1,876	1,391	1,579
		62,755	69,013	67,773	51,185	54,567
Less: Government grants#		(371)	(1,120)	(670)	(437)	(420)
		62,384	67,893	67,103	50,748	54,147
Audit remuneration		418	357	381	266	290
Foreign exchange difference, net		(1,012)	(544)	(263)	54	376
Impairment of trade receivables, net	15	2,787	(955)	(28)	(28)	145
Loss on deregistration of a subsidiary		—	—	—	—	1,032
Fair value loss of convertible loan		7,995	1,131	377	—	—
Write-off of items of property, plant and equipment		2,224	930	23	—	—

\# The subsidies were granted by Innovation and Technology Commission for research talents and were deducted in the line of "research and development expenses" in profit or loss. There were no unfulfilled conditions relating to the subsidies.

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 March 2021, 2022, 2023 and nine months ended 31 December 2022 and 2023, except for a subsidiary of the Target Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

	Year ended 31 March 2021 HK$'000	2022 HK$'000	2023 HK$'000	Nine months ended 31 December 2022 HK$'000 (Unaudited)	2023 HK$'000
Current — Hong Kong charge for the year/period	3,775	7,287	7,143	7,578	4,638
Underprovision/(overprovision) in previous years/periods	(138)	334	(325)	(220)	(339)
Deferred *(note 21)*	(2,138)	(372)	(417)	—	(338)
Total tax expenses for the year/period	1,499	7,249	6,401	7,358	3,961

A reconciliation of the tax credit/(expense) applicable to profit/(loss) before tax at the statutory tax rate for the jurisdictions in which the Target Group is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit/(loss) before tax	(3,519)	13,156	44,223	36,236	18,783
Tax at the Hong Kong statutory tax rate of 16.5%	(581)	2,171	7,297	5,979	3,099
Differences in tax rates for other jurisdictions	150	119	(176)	(136)	(265)
Adjustments in respect of current tax of previous periods	(138)	334	(325)	(220)	(339)
Income not subject to tax	(2,792)	(972)	(1,249)	(927)	(486)
Expenses not deductible for tax	694	1,555	635	2,530	850
Tax losses not recognised	4,401	4,297	284	40	625
Tax losses utilised from previous periods	(296)	(257)	(182)	(40)	(119)
Temporary differences not recognised	51	—	224	177	625
Others	10	2	(107)	(45)	(29)
Tax expense at the Target Group's effective tax rate	1,499	7,249	6,401	7,358	3,961

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year/ period attributable to equity holders of the parent and the weighted average number of ordinary shares of 26,734,744 in issue during the Relevant Periods and for the nine months ended 31 December 2022. No adjustment has been made to the basic earnings per share amount presented as the Target Company has no potential dilutive ordinary shares.

Profit/(loss) attributable to equity holders of the parent, used in the basic earnings/(loss) per share calculation is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit/(loss) attributable to ordinary equity holders of the parent	(5,205)	5,708	37,552	28,646	14,636

10. PROPERTY, PLANT AND EQUIPMENT

	Properties leased for own use HK$'000 (note 22(a))	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Laboratory equipment HK$'000	Computer equipment HK$'000	Office equipment HK$'000	Total HK$'000
31 March 2021							
At 1 April 2020:							
Cost	17,855	3,088	14,470	35,155	7,846	1,778	80,192
Accumulated depreciation	(11,305)	(2,568)	(13,218)	(19,657)	(6,347)	(993)	(54,088)
Net carrying amount	6,550	520	1,252	15,498	1,499	785	26,104
At 1 April 2020, net of accumulated depreciation	6,550	520	1,252	15,498	1,499	785	26,104
Additions	7,003	1,782	1,689	1,074	206	2,699	14,453
Depreciation provided during the year	(5,696)	(338)	(405)	(3,738)	(520)	(600)	(11,297)
Write-off	—	—	(600)	(1,588)	(19)	(17)	(2,224)
Disposal of a subsidiary *(note 25(d))*	—	(19)	(67)	(4,270)	(304)	—	(4,660)
Exchange realignment	12	—	1	—	54	21	88
At 31 March 2021, net of accumulated depreciation	7,869	1,945	1,870	6,976	916	2,888	22,464
At 31 March 2021:							
Cost	24,881	4,494	2,941	19,969	6,980	4,464	63,729
Accumulated depreciation	(17,012)	(2,549)	(1,071)	(12,993)	(6,064)	(1,576)	(41,265)
Net carrying amount	7,869	1,945	1,870	6,976	916	2,888	22,464
31 March 2022							
At 31 March 2021:							
Cost	24.881	4,494	2,941	19,969	6,980	4,464	63,729
Accumulated depreciation	(17,012)	(2,549)	(1,071)	(12,993)	(6,064)	(1,576)	(41,265)
Net carrying amount	7,869	1,945	1,870	6,976	916	2,888	22,464
At 1 April 2021, net of accumulated depreciation	7,869	1,945	1,870	6,976	916	2,888	22,464
Additions	2,575	29	240	1,369	570	62	4,845
Depreciation provided during the year	(5,479)	(458)	(535)	(1,510)	(531)	(781)	(9,294)
Write-off	—	—	—	(913)	—	(17)	(930)
Exchange realignment	12	—	1	—	1	20	34
At 31 March 2022, net of accumulated depreciation	4,977	1,516	1,576	5,922	956	2,172	17,119
At 31 March 2022:							
Cost	27,483	4,523	3,184	20,090	7,287	4,470	67,037
Accumulated depreciation	(22,506)	(3,007)	(1,608)	(14,168)	(6,331)	(2,298)	(49,918)
Net carrying amount	4,977	1,516	1,576	5,922	956	2,172	17,119

	Properties leased for own use *HK$'000* *(note 22(a))*	Furniture and fixtures *HK$'000*	Leasehold improvements *HK$'000*	Laboratory equipment *HK$'000*	Computer equipment *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
31 March 2023							
At 31 March 2022:							
Cost	27,483	4,523	3,184	20,090	7,287	4,470	67,037
Accumulated depreciation	(22,506)	(3,007)	(1,608)	(14,168)	(6,331)	(2,298)	(49,918)
Net carrying amount	4,977	1,516	1,576	5,922	956	2,172	17,119
At 1 April 2022, net of accumulated depreciation	4,977	1,516	1,576	5,922	956	2,172	17,119
Additions	6,515	90	558	1,651	372	53	9,239
Depreciation provided during the year	(5,802)	(477)	(548)	(1,393)	(505)	(764)	(9,489)
Write-off	—	—	—	—	—	(23)	(23)
Exchange realignment	(25)	—	—	(1)	(2)	(22)	(50)
At 31 March 2023, net of accumulated depreciation	5,665	1,129	1,586	6,179	821	1,416	16,796
At 31 March 2023:							
Cost	33,938	4,588	3,609	21,740	7,305	4,287	75,467
Accumulated depreciation	(28,273)	(3,459)	(2,023)	(15,561)	(6,484)	(2,871)	(58,671)
Net carrying amount	5,665	1,129	1,586	6,179	821	1,416	16,796
31 December 2023							
At 31 March 2023:							
Cost	33,938	4,588	3,609	21,740	7,305	4,287	75,467
Accumulated depreciation	(28,273)	(3,459)	(2,023)	(15,561)	(6,484)	(2,871)	(58,671)
Net carrying amount	5,665	1,129	1,586	6,179	821	1,416	16,796
At 1 April 2023, net of accumulated depreciation	5,665	1,129	1,586	6,179	821	1,416	16,796
Additions	8,615	7	8	1,292	80	116	10,118
Depreciation provided during the period	(3,058)	(370)	(403)	(1,251)	(317)	(488)	(5,887)
Exchange realignment	(15)	—	—	(36)	(1)	21	(31)
At 31 December 2023, net of accumulated depreciation	11,207	766	1,191	6,184	583	1,065	20,996
At 31 December 2023:							
Cost	42,507	4,595	3,614	22,991	7,368	4,137	85,212
Accumulated depreciation	(31,300)	(3,829)	(2,423)	(16,807)	(6,785)	(3,072)	(64,216)
Net carrying amount	11,207	766	1,191	6,184	583	1,065	20,996

11. INTANGIBLE ASSETS

	Goodwill *HK$'000*	Trademark *HK$'000*	Customer relationship *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 31 March 2021					
Cost at 1 April 2020, net of accumulated amortisation	42,627	2	10,917	356	53,902
Addition	—	—	—	80	80
Amortisation provided during the year	—	(2)	(2,217)	(143)	(2,362)
At 31 March 2021	42,627	—	8,700	293	51,620
At 31 March 2021					
Cost	42,627	14	17,400	734	60,775
Accumulated amortisation	—	(14)	(8,700)	(441)	(9,155)
Net carrying amount	42,627	—	8,700	293	51,620
At 31 March 2022					
Cost at 1 April 2021, net of accumulated amortisation	42,627	—	8,700	293	51,620
Amortisation provided during the year	—	—	(2,217)	(124)	(2,341)
At 31 March 2022	42,627	—	6,483	169	49,279
At 31 March 2022					
Cost	42,627	14	17,400	734	60,775
Accumulated amortisation	—	(14)	(10,917)	(565)	(11,496)
Net carrying amount	42,627	—	6,483	169	49,279

	Goodwill *HK$'000*	Trademark *HK$'000*	Customer relationship *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 31 March 2023					
Cost at 1 April 2022, net of accumulated amortisation	42,627	—	6,483	169	49,279
Amortisation provided during the year	—	—	(2,217)	(63)	(2,280)
At 31 March 2023	—	—	4,266	106	46,999
At 31 March 2023					
Cost	42,627	14	17,400	734	60,775
Accumulated amortisation	—	(14)	(13,134)	(628)	(13,776)
Net carrying amount	42,627	—	4,266	106	46,999
At 31 December 2023					
Cost at 1 April 2023, net of accumulated amortisation	42,627	—	4,266	106	46,999
Amortisation provided during the period	—	—	(1,662)	(44)	(1,706)
At 31 December 2023	42,627	—	2,604	62	45,293
At 31 December 2023					
Cost	42,627	14	17,400	734	60,775
Accumulated amortisation	—	(14)	(14,796)	(672)	(15,482)
Net carrying amount	42,627	—	2,604	62	45,293

Impairment testing of goodwill and customer relationship

Goodwill and customer relationship acquired through business combination were allocated to trading of laboratory equipment and consumables cash-generating unit for impairment testing:

As at 31 March 2021, 2022 and 2023 and 31 December 2023, the recoverable amount of the trading of laboratory equipment and consumables cash-generating unit had 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 and long term growth rate applied to cash flows beyond the five-year period are as follows:

	31 March			31 December	
	2021 *%*	2022 *%*	2023 *%*	2022 *%*	2023 *%*
Discount rate	15.5	15.5	15.5	15.5	15.5
Long term growth rate	3.0	3.0	3.0	3.0	3.0

Assumptions were used in the value in use calculation of the trading of laboratory equipment and consumables cash-generating unit for 31 March 2021, 2022 and 2023 and 31 December 2023. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue growth — The value assigned to the budgeted revenue growth rate was the average revenue growth achieved in the year immediately before the budget year, taking into account the expected growth rate.

Discount rate — The discount rate used was before tax and reflected specific risks relating to the relevant unit.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	1,422	3,200	3,277	2,149
Deposits	9,460	11,562	11,207	10,461
Other receivables	839	852	719	820
	11,721	15,614	15,203	13,430
Less: Non-current portion	(2,706)	(3,431)	(3,078)	(3,056)
Current portion	9,015	12,183	12,125	10,374

The financial assets included in the above balances relate to deposits and other receivables for which there was no recent history of default and past due amounts. As at 31 March 2021, 2022 and 2023 and 31 December 2023, the loss allowance was assessed to be minimal.

14. INVENTORIES

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finished goods	31,803	26,994	20,622	27,119

15. TRADE RECEIVABLES

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	67,099	51,546	50,490	68,404
Impairment	(18,182)	(17,227)	(17,199)	(17,344)
Total	48,917	34,319	33,291	51,060

The Target Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Target Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 months	26,905	14,053	15,708	24,854
1 to 2 months	3,510	6,260	6,166	6,667
2 to 3 months	1,189	3,070	1,900	3,646
Over 3 months	35,495	28,163	26,716	33,237
Total	67,099	51,546	50,490	68,404

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

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	15,395	18,182	17,227	17,199
Impairment losses	2,787	—	—	145
Reversal of impairment losses	—	(955)	(28)	—
At end of year/period	18,182	17,227	17,199	17,344

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

As at 31 March 2021

	Current	Past due Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.1%	0.1%	0.1%	62.5%	27.1%
Gross carrying amount *(HK$'000)*	27,202	3,325	7,512	29,060	67,099
Expected credit losses *(HK$'000)*	7	2	5	18,168	18,182

As at 31 March 2022

	Current	Past due Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.1%	0.2%	0.4%	66.9%	33.4%
Gross carrying amount *(HK$'000)*	14,534	4,187	7,140	25,685	51,546
Expected credit losses *(HK$'000)*	17	8	27	17,175	17,227

As at 31 March 2023

	Current	Less than 1 month	Past due 1 to 3 month s	Over 3 months	Total
Expected credit loss rate	0.1%	0.2%	0.1%	79.5%	34.1%
Gross carrying amount *(HK$'000)*	17,761	4,718	6,423	21,588	50,490
Expected credit losses *(HK$'000)*	15	9	9	17,166	17,199

As at 31 December 2023

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.2%	0.5%	0.3%	72.1%	25.4%
Gross carrying amount *(HK$'000)*	27,253	4,660	12,608	23,883	68,404
Expected credit losses *(HK$'000)*	62	24	40	17,218	17,344

16. CASH AND CASH EQUIVALENTS

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	83,423	84,524	143,016	158,659

As at 31 March 2021, 2022 and 2023 and 31 December 2023, the cash and cash equivalents of the Target Group denominated in RMB amounted to HK$5,542,000, HK$2,741,000, HK$2,990,000 and HK$3,625,000, respectively. 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 Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Certain cash at banks earns interest at floating rates based on respective short-term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

17. TRADE PAYABLES

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

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	9,631	8,380	11,336	19,137
1 to 2 months	47	52	10	2
2 to 3 months	598	832	1,086	7,511
Over 3 months	6,159	561	1,058	8,482
Total	16,435	9,825	13,490	35,132

Trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 60 days.

18. OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	3,276	3,410	3,410	3,363
Accruals	13,748	13,182	10,933	12,617
	17,024	16,592	14,343	15,980

Other payables are non-interest-bearing and have an average term of three months.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME

(i) Financial asset at fair value through profit or loss

On 10 July 2019, the Target Company entered into a loan agreement (''Convertible Loan'') with an independent third party (the ''Borrower'') whereby the Target Company agreed to make a loan of US$2,000,000 to the Borrower. The Borrower is also an independent third party to EC Healthcare. The Convertible Loan entitles the Target Company to convert the principal amount of US$2,000,000 to 70% of the Borrower's total number of shares in the event that a liquidity event (defined in the loan agreement as consummation of an initial public offering of the Borrower or its subsidiary or sale or disposal of all or part the Borrower's effective interests in the subsidiary or the Borrower's assets) is expected to occur. As at 31 March 2021, 2022 and 2023 and 31 December 2023, the gross convertible loan receivable amounted to approximately HK$13,749,000, HK$14,879,000, HK$15,256,000 and HK$15,256,000, respectively. The loan is repayable in full either before the 10th year from the agreement date or before the occurrence of liquidity event. In the opinion of the directors, the probability of the liquidity event to occur was remote and the fair value of the Convertible Loan was assessed with reference to management's estimation on the future return which approximated to zero as at 31 March 2021, 2022 and 2023 and 31 December 2023.

(ii) Financial assets at fair value through other comprehensive income

In the prior years, the Target Group invested in certain unlisted equity investments with initial investment costs in aggregate of HK$3,135,000. The Target Group considered the equity investments to be strategic in nature and thus these investments were irrevocably designated at fair value through other comprehensive income. During the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2022 and 2023, the Target Group did not receive any dividend from these investments. In the opinion of the directors, the investees continued to suffer operating losses and the fair values of these investments were assessed to be zero as at 31 March 2021, 2022 and 2023 and 31 December 2023.

20. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Short-term advances received from customers				
Trading of laboratory equipment	30,329	22,808	28,379	19,548
Maintenance services	431	238	926	1,082
	30,760	23,046	29,305	20,630

Contract liabilities include short-term advances received to sell laboratory equipment and render maintenance services. The increase in overall contract liabilities at 31 March 2023 was mainly due to the increase in short-term advances received from customers in relation to the trading of laboratory equipment at the end of the year/period. The decrease in contract liabilities at 31 March 2022 and 31 December 2023 was mainly due to the decrease in short-term advances received from customers in relation to the trading of laboratory equipment at the end of the year.

21. DEFERRED TAX

The movements in deferred tax liabilities and assets during the years/periods are as follows:

31 March 2021

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Temporary differences between depreciation and the related depreciation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020	(1,801)	(1,250)	—	(3,051)
Deferred tax debited/(credited) to the statement of profit or loss during the year *(note 9)*	366	(834)	(73)	(541)
Gross deferred tax liabilities at 31 March 2021	(1,435)	(2,084)	(73)	(3,592)

Deferred tax assets

	Losses available for offsetting against future taxable profits	Impairment of trade receivables	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2020	1,084	2,540	2,110	5,734
Deferred tax debited/(credited) to the statement of profit or loss during the year *(note 9)*	(50)	460	(2,007)	(1,597)
Gross deferred tax assets at 31 March 2021	1,034	3,000	103	4,137

31 March 2022

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Temporary differences between depreciatio n and the related depreciation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2021	(1,435)	(2,084)	(73)	(3,592)
Deferred tax debited/(credited) to the statement of profit or loss during the year *(note 9)*	366	(312)	37	91
Gross deferred tax liabilities at 31 March 2022	(1,069)	(2,396)	(36)	(3,501)

Deferred tax assets

	Losses available for offsetting against future taxable profits	Impairment of trade receivables	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2021	1,034	3,000	103	4,137
Deferred tax credited to the statement of profit or loss during the year *(note 9)*	(47)	(158)	(258)	(463)
Gross deferred tax assets/ (liabilities) at 31 March 2022	987	2,842	(155)	3,674

31 March 2023

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Temporary differences between depreciation and the related depreciation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2022	(1,069)	(2,396)	(191)	(3,656)
Deferred tax debited/(credited) to the statement of profit or loss during the year *(note 9)*	366	(296)	(431)	(361)
Gross deferred tax liabilities at 31 March 2023	(703)	(2,692)	(622)	(4,017)

Deferred tax assets

	Losses available for offsetting against future taxable profits	Impairment of trade receivables	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2022	987	2,842	3,829
Deferred tax credited to the statement of profit or loss during the year *(note 9)*	(52)	(4)	(56)
Gross deferred tax assets at 31 March 2023	935	2,838	3,773

31 December 2023

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Temporary differences between depreciation and the related depreciation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2023	(703)	(2,692)	(622)	(4,017)
Deferred tax debited/(credited) to the statement of profit or loss during the period *(note 9)*	275	(274)	346	347
Gross deferred tax liabilities at 31 December 2023	(428)	(2,966)	(276)	(3,670)

Deferred tax assets

	Losses available for offsetting against future taxable profits	Impairment of trade receivables	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2023	935	2,838	3,773
Deferred tax debited/(credited) to the statement of profit or loss during the period *(note 9)*	(33)	24	(9)
Gross deferred tax assets at 31 December 2023	902	2,862	3,764

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Target Group for financial reporting purposes:

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	3,103	2,842	2,838	2,862
Net deferred liabilities recognised in the consolidated statement of financial position	2,558	2,669	3,082	2,768

As at 31 March 2021, 2022, 2023 and 31 December 2023, the Target Group had available tax losses arising in Hong Kong of HK$44,543,000, HK$68,739,000, HK$69,046,000 and HK$71,913,000 that are available indefinitely for offsetting against future taxable profits in which the losses arose. As at 31 March 2021, 2022, 2023 and 31 December 2023, deferred tax assets of HK$6,316,000, HK$10,355,000, HK$10,456,000 and HK$10,964,000 have not been recognised in respect of these losses they have arisen in subsidiaries that have been loss making and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

22. LEASE

(a) Right-of-use assets

The Target Group as a lessee

The Target Group has lease contracts for various properties including office premises and warehouse used in its operations in Hong Kong and in the PRC. Leases of properties generally have lease terms between 1 and 3 years. Generally, the Target Group is restricted from assigning and subleasing the leased assets outside the Target Group.

The carrying amounts of the Target Group's right-of-use assets (i.e. properties leased for own use) and the movements during the Relevant Periods are disclosed in note 11.

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	6,646	8,119	4,989	5,624
New leases	7,003	2,575	6,515	8,615
Accretion of interest recognised during the year/period	228	187	163	109
Payments	(5,777)	(5,904)	(6,019)	(2,938)
Exchange realignment	19	12	(24)	(15)
At end of year/period	8,119	4,989	5,624	11,395
Analysed into:				
Current	4,654	4,381	2,877	5,208
Non-current	3,465	608	2,747	6,187
	8,119	4,989	5,624	11,395

The maturity analysis of lease liabilities is disclosed in note 29 to the consolidated financial statements.

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

	Year ended 31 March			Nine months ended 31 December	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on lease liabilities	228	187	163	123	109
Depreciation of right-of-use assets	5,696	5,479	5,802	4,344	3,058
Expense relating to short-term leases	289	93	168	58	714
Total amount recognised in profit or loss	6,213	5,759	6,133	4,525	3,881

The total cash outflow for leases is disclosed in note 25(c) to the consolidated financial statements.

23. SHARE CAPITAL

	Number of shares	As at 31 March 2021 HK$'000	2022 HK$'000	2023 HK$'000	As at 31 December 2023 HK$'000
Issued and fully paid					
Ordinary shares	26,734,744	121,564	121,564	121,564	121,564
Preferred shares *(note)*	16,057,997	150,000	150,000	150,000	150,000
	42,792,741	271,564	271,564	271,564	271,564

Note: The holder of the Target Company's series A preferred share is entitled to specific special rights in the Target Company, including the rights to appoint directors, receive liquidation preference, and approve certain transactions and corporate actions of the Target Company. It is at the holder's discretion to convert series A preferred shares into ordinary shares on a 1: 1 basis at no additional cost, subject to adjustment for share-split, share dividend, recapitalisation, or other similar events.

24. RESERVES

The amounts of the Target 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 II-9 to II-11 of the accountants' report.

Merger reserve

Merger reserve represents the excess of the net asset value over the nominal value of the shares of a subsidiary acquired by the Target Company pursuant to the reorganisation of the Target Company in the prior years.

Other reserve

Other reserve relates to the share repurchase from non-controlling interests of a subsidiary of the Target Company, of which the consideration paid exceeded the carrying amount of non-controlling interests as at the date of repurchase of non-controlling interests.

Deemed contribution reserve

Deemed contribution reserve represents the difference between the fair value and the principal amounts of redeemable convertible preference shares and convertible loan notes in a subsidiary of the Target Company at initial recognition.

25. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years/periods, the Target Group had non-cash additions to right-of-use assets and lease liabilities of HK$7,003,000, HK$2,575,000, HK$6,515,000, HK$6,511,000 and HK$8,615,000 for the years ended 31 March 2021, 2022, and 2023 and nine months ended 31 December 2022 and 2023, respectively, in respect of lease arrangements for leased properties.

(b) Changes in liabilities arising from financing activities

	Year ended 31 March			Nine months ended 31 December	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
At beginning of year/period	6,646	8,119	4,989	4,989	5,624
Changes from financing activities	(5,549)	(5,717)	(5,856)	(4,320)	(2,829)
Interest paid classified as operating cash flows	(228)	(187)	(163)	(123)	(109)
New leases	7,003	2,575	6,515	6,511	8,615
Interest expense	228	187	163	123	109
Foreign exchange movement	19	12	(24)	(27)	(15)
At end of year/period	8,119	4,989	5,624	7,153	11,395

(c) Total cash outflow for leases

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

	Year ended 31 March			Nine months ended 31 December	
	2020	2021	2022	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within operating activities	517	280	331	181	1,423
Within financing activities	5,549	5,717	5,856	4,320	2,829
	6,066	5,997	6,187	4,501	4,252

(d) Disposal of a subsidiary

During the year ended 31 March 2021, the Target Group disposed of its 66% equity interest in 廣州達雅高桐樹醫學檢驗實驗室有限公司 (Guangzhou DiagCor Tongshu Medical Laboratory Company Ltd.) (the ''Guangzhou DiagCor Tongshu'') for a consideration of RMB4,356,000 (equivalent to HK$5,138,000). The transaction was completed on 24 December 2020. The assets and liabilities of Guangzhou DiagCor Tongshu as at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	4,660
Trade receivables	458
Cash and cash equivalent	14
Trade payables	(405)
Other assets, net	91
Non-controlling interests	(4,215)
Net assets disposed of	603
Exchange fluctuation reserve	153
	756
Gain on disposal of a subsidiary, net of tax	3,868
Satisfied by cash	4,624

An analysis of the net cash inflow of cash and cash equivalent in respect of Guangzhou DiagCor Tongshu is as follows:

	HK$'000
Cash consideration	5,138
Tax paid	(513)
Cash and cash equivalent disposed of	(14)
Satisfied by cash, net of tax	4,611

26. RELATED PARTY TRANSACTIONS

(a) The Target Group had the following transactions with related parties during the year/period:

	Year ended 31 March			Nine months ended 31 December	
	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*	2022 *HK$'000* (Unaudited)	2023 *HK$'000*
A company controlled by directors of the Target Company					
Administrative expenses recharge	2,102	923	931	757	259

(b) Directors' remuneration

	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*	2022 *HK$'000* (Unaudited)	2023 *HK$'000*
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	2,807	3,056	3,008	2,256	2,607
Performance related bonuses	390	413	641	481	398
Pension scheme contributions	42	26	18	14	14
Total	3,239	3,495	3,667	2,751	3,019

(c) Balances with fellow subsidiaries, related companies and directors

The balances with related companies and directors are unsecured, interest-free and repayable on demand. Since the amounts due from related companies and directors are not past due, the expected credit loss is assessed to be minimal.

(d) Dividend

	Year ended 31 March			Nine months ended 31 December	
	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*
Interim dividend — approximately HK$0.35 per share	—	15,000	—	—	—

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised cost:				
Due from related companies	3,952	1,427	—	—
Due from directors	3,375	2,459	1,817	1,716
Trade receivables	48,917	34,319	33,291	51,060
Financial assets included in prepayments, deposits and other receivables	6,877	7,478	7,325	8,944
Cash and cash equivalents	83,423	84,524	143,016	158,659
	146,544	130,207	185,449	220,379

Financial liabilities

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities at amortised cost:				
Trade payables	16,435	9,825	13,490	35,132
Due to related companies	3	614	1,656	2,243
Financial liabilities included in other payables and accruals	7,434	4,567	4,786	4,551
Lease liabilities	8,119	4,989	5,624	11,395
	31,991	19,995	25,556	53,321

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, the current portion of financial assets included in prepayments, deposits and other receivables, trade payables, and the current portions of lease liabilities and financial liabilities included in other payables and accruals, and balances with related companies and directors 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 methods and assumptions were used to estimate the fair values: The fair values of the non-current portion of financial assets included in deposits and non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, the fair values of the non-current portion of financial assets included in deposits and non-current portion of lease liabilities approximate to their carrying amounts. The fair values of the financial assets at fair value through profit or loss/other comprehensive income was based on management estimation on the future returns.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Target Group's operations. The Target Group has various other financial assets and liabilities such as financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, balances with related companies and directors and lease liabilities, which mainly arise directly from its operations.

The main risks arising from the Target Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Target Group mainly transacts with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target 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 the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 March 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*					
Financial assets included in prepayments, other receivables and other assets — Normal**	—	—	—	67,099	67,099
Due from related companies — Normal**	6,877	—	—	—	6,877
Due from directors — Normal**	3,952	—	—	—	3,952
Cash and cash equivalents — Not yet past due	3,375	—	—	—	3,375
Total	83,423	—	—	—	83,423

As at 31 March 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Tota l
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'00 0*
Trade receivables*	—	—	—	51,546	51,546
Financial assets included in prepayments, other receivables and other assets — Normal**	7,478	—	—	—	7,478
Due from related companies — Normal**	1,427	—	—	—	1,427
Due from directors — Normal**	2,459	—	—	—	2,459
Cash and cash equivalents — Not yet past due	84,524	—	—	—	84,524
Total					

As at 31 March 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	—	—	—	50,490	50,490
Financial assets included in prepayments, other receivables and other assets — Normal**	7,325	—	—	—	7,325
Due from directors — Normal**	1,817	—	—	—	1,817
Cash and cash equivalents — Not yet past due	143,016	—	—	—	143,016
Total	152,158	—	—	50,490	202,648

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	—	—	—	68,404	68,404
Financial assets included in prepayments, other receivables — Normal**	8,944	—	—	—	8,944
Due from directors — Normal**	1,716	—	—	—	1,716
Cash and cash equivalents — Not yet past due					
Total	158,659				158,659

* For trade receivables to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 15 to the consolidated financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Target Group's exposure to credit risk arising from trade receivables are disclosed in note 15 to the consolidated financial statements.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Target Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 March 2021

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Lease liabilities	—	5,448	4,206	—	9,654
Trade payables	—	16,435	—	—	16,435
Other financial liabilities included in other payables and accruals	—	7,434	—	—	7,434
Due to related companies	3	—	—	—	3
Total	3	29,317	4,206	—	33,526

As at 31 March 2022

	On demand *HK$'000*	Within 1 year *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Lease liabilities	—	4,581	767	—	5,348
Trade payables	—	9,825	—	—	9,825
Other financial liabilities included in other payables and accruals	—	4,567	—	—	4,567
Due to related companies	614	—	—	—	614
Total	614	18,973	767	—	20,354

As at 31 March 2023

	On demand *HK$'000*	Within 1 year *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Lease liabilities	—	3,698	3,684	—	7,382
Trade payables	—	13,490	—	—	13,490
Other financial liabilities included in other payables and accruals	—	4,786	—	—	4,786
Due to related companies	1,656	—	—	—	1,656
Total	1,656	21,974	3,684	—	27,314

As at 31 December 2023

	On demand *HK$'000*	Within 1 year *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Lease liabilities	—	5,604	6,448	—	12,052
Trade payables	—	35,132	—	—	35,132
Other financial liabilities included in other payables and accruals	—	4,551	—	—	4,551
Due to related companies	2,243	—	—	—	2,243
Total	2,243	45,287	6,448	—	53,978

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target 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 Target 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 Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

Capital of the Target Group comprises all components of shareholders' equity.

30. STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

Information about the statement of financial position of the Target Company at the end of the reporting period is as follows:

		As at 31 March		As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Investments in subsidiaries	114,798	114,798	114,798	114,798
CURRENT ASSETS				
Other receivables	13,849	14,980	15,357	15,357
Amounts due from subsidiaries	78,014	82,864	82,483	82,483
Cash and cash equivalents	6,040	55	58	57
Total current assets	97,903	97,899	97,898	97,897
CURRENT LIABILITIES				
Other payables and accruals	(349)	(349)	(349)	(349)
NET CURRENT ASSETS	97,554	97,550	97,549	97,548
Net assets	212,352	212,348	212,347	212,346
EQUITY				
Share capital	271,564	271,564	271,564	271,564
Accumulated losses	(59,212)	(59,216)	(59,217)	(59,218)
Total equity	212,352	212,348	212,347	212,346

Note:

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

	Accumulated losses *HK$'000*
Balance at 1 April 2020	59,132
Total comprehensive loss for the year	80
At 31 March 2021 and 1 April 2021	59,212
Total comprehensive loss for the year	4
At 31 March 2022 and 1 April 2022	59,216
Total comprehensive loss for the year	1
At 31 March 2023 and 1 April 2023	59,217
Total comprehensive loss for the period	1
At 31 December 2023	59,218

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of the companies now comprising the Target Group in respect of any period subsequent to 31 December 2023.