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IVD Medical Holding Limited

華檢醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1931)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of IVD Medical Holding Limited (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), which have been reviewed by the Company’s audit committee (the “**Audit Committee**”) and have been approved by the Board on 28 August 2024. The financial highlights of the Group for the Reporting Period together with the comparative figures for the corresponding period in 2023 are set out as follows:

	Six months ended 30 June		Change
	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	1,353,470	1,377,314	(1.7%)
Gross profit	324,692	301,540	7.7%
Profit for the period	127,566	104,002	22.7%
Profit attributable to owners of the parent	125,288	103,009	21.6%
Adjusted profit for the period (<i>Non-GAAP, see Note</i>)	127,790	117,396	8.9%
Adjusted profit attributable to owners of the parent (<i>Non-GAAP, see Note</i>)	125,502	116,403	7.8%
Earnings per share			
Basic and diluted (RMB cents)	9.27	7.62	1.65

For the Reporting Period, the Group achieved a revenue of RMB1,353,470 thousand, which represented a decrease of 1.7% as compared to the same period of 2023.

Profit of the Group for the Reporting Period recorded an increase of 22.7% as compared to the same period of 2023. Such increase was primarily due to the increase in gross profit margin of the Group's after-sales services business.

Note: Adjusted profit for the period and adjusted profit attributable to owners of the parent are non-GAAP financial measures and are calculated by profit for the period and profit attributable to owners of the parent excluding certain impact of non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, with the intent to provide the shareholders of the Company (the “**Shareholders**”) and potential investors with useful supplementary information to assess the performance of the Group's core operations. See also the paragraph headed “Adjusted profit for the period” in this announcement for more information and calculation of these non-GAAP financial measures.

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

Six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	1,353,470	1,377,314
Cost of sales		(1,028,778)	(1,075,774)
Gross profit		324,692	301,540
Other income and gains	5	9,528	18,957
Selling and distribution expenses		(60,090)	(60,568)
Administrative expenses		(76,169)	(71,933)
Other expenses		(1,350)	–
Finance costs		(11,629)	(10,739)
Fair value loss on financial assets at fair value through profit or loss		(6)	(1,648)
Share of losses of associates		(3,628)	(12,129)
Share of loss of a joint venture		(291)	(663)
(Impairment)/reversal of impairment of trade receivables	6	(566)	92
Profit before tax	6	180,491	162,909
Income tax expense	7	(52,925)	(58,907)
Profit for the period		127,566	104,002
Profit for the period attributable to:			
Owners of the parent		125,288	103,009
Non-controlling interests		2,278	993
Profit for the period		127,566	104,002

	Six months ended 30 June	
	2024	2023
<i>Note</i>	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(4,506)</u>	<u>(531)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	<u>4,698</u>	<u>14,817</u>
Other comprehensive income for the period, net of tax	<u>192</u>	<u>14,286</u>
Total comprehensive income for the period	<u>127,758</u>	<u>118,288</u>
Total comprehensive income attributable to:		
Owners of the parent	<u>125,480</u>	<u>117,295</u>
Non-controlling interests	<u>2,278</u>	<u>993</u>
	<u>127,758</u>	<u>118,288</u>
Earnings per share attributable to owners of the parent		
Basic and diluted (RMB cents)	<u>9.27</u>	<u>7.62</u>

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	88,193	91,448
Intangible assets		1,635,885	1,635,885
Investments in associates		8,995	10,123
Investment in a joint venture		33,488	33,197
Financial assets at fair value through profit or loss		25,358	25,256
Deferred tax assets		14,065	6,930
		<hr/>	<hr/>
Total non-current assets		1,805,984	1,802,839
Current assets			
Inventories		1,354,414	1,109,554
Trade and bills receivables	<i>11</i>	390,594	532,158
Prepayments and other receivables		73,395	42,740
Pledged deposits		114,087	72,975
Cash and cash equivalents		1,589,593	1,224,786
		<hr/>	<hr/>
Total current assets		3,522,083	2,982,213
Current liabilities			
Trade and bills payables	<i>12</i>	602,943	506,567
Other payables and accruals		259,617	330,790
Interest-bearing bank borrowings		799,820	319,896
Tax payable		30,281	41,869
		<hr/>	<hr/>
Total current liabilities		1,692,661	1,199,122
Net current assets		<hr/> 1,829,422	<hr/> 1,783,091
Total assets less current liabilities		<hr/> 3,635,406	<hr/> 3,585,930

		30 June 2024	31 December 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Other payables and accruals		9,833	13,289
Deferred tax liabilities		188,688	186,752
		<hr/>	<hr/>
Total non-current liabilities		198,521	200,041
		<hr/>	<hr/>
Net assets		3,436,885	3,385,889
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	4,637	4,637
Reserves		3,389,016	3,340,298
		<hr/>	<hr/>
		3,393,653	3,344,935
		<hr/>	<hr/>
Non-controlling interests		43,232	40,954
		<hr/>	<hr/>
Total equity		3,436,885	3,385,889
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a company with limited liability incorporated in the Cayman Islands and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The principal activities of the Group are described in note 3 to the interim condensed consolidated financial information.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of following new and revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

- (b) 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 Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Chinese Mainland	1,350,397	1,370,573
Others	3,073	6,741
Total	<u>1,353,470</u>	<u>1,377,314</u>

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

(b) Non-current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
	Chinese Mainland	1,761,067
Others	5,494	4,886
Total	<u>1,766,561</u>	<u>1,770,653</u>

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

Information about major customers

During the six months ended 30 June 2024 and 2023, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers		
Sales of trading goods	1,253,634	1,293,002
Sales of manufactured goods	4,578	6,149
Provision of after-sales services	95,258	78,163
Total	1,353,470	1,377,314

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Types of goods and services		
Sales of medical equipment	87,616	142,529
Sales of medical consumables	1,170,596	1,156,622
Provision of after-sales services	95,258	78,163
Total	1,353,470	1,377,314
Types of customers		
Sales to hospitals and healthcare institutions	188,124	171,061
Sales to logistics providers	85,241	79,420
Sales to distributors	984,847	1,048,670
Sales to service customers	95,258	78,163
Total	1,353,470	1,377,314
Timing of revenue recognition		
Goods transferred at a point in time	1,258,212	1,299,151
Services transferred over time	95,258	78,163
Total	1,353,470	1,377,314

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	1,766	1,749
Government subsidies*	6,775	3,720
Others	946	656
	<u>9,487</u>	<u>6,125</u>
Subtotal		
Gains		
Gain on disposal of items of property, plant and equipment	41	94
Gain on termination/modification of lease contracts	–	8
Exchange gain	–	12,730
	<u>41</u>	<u>12,832</u>
Subtotal		
Total	<u><u>9,528</u></u>	<u><u>18,957</u></u>

* Government grants have been received from the PRC local government authorities to support subsidiaries' daily operating activities. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold*	987,866	1,027,990
Cost of services provided*	40,912	47,784
Depreciation of owned assets	12,009	11,681
Depreciation of right-of-use assets	7,673	6,535
Research and development costs	3,766	4,057
Impairment/(reversal of impairment) of trade receivables	(566)	(92)
Foreign exchange differences, net	1,350****	(12,730)**
Gain on disposals of property, plant and equipment**	(41)	(94)
Write-down of inventories to net realisable value***	9,682	4,072
	<u><u>9,682</u></u>	<u><u>4,072</u></u>

- * These items are included in “Cost of sales” on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.
- ** These items are included in “Other income and gains” on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.
- *** This item is included in “Costs of inventories sold” above.
- **** This item is included in “Other expenses” on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of the 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2023: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Tax on profits assessable in Chinese Mainland has been calculated at the applicable PRC corporate income tax (“CIT”) rate of 25% during the period.

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current – Chinese Mainland		
Charge for the period	57,590	39,650
(Overprovision)/underprovision in prior periods	(1,728)	10,115
Current – Hong Kong		
Charge for the period	2,261	5,117
Deferred	(5,198)	4,025
	<hr/>	<hr/>
Total tax charge for the period	52,925	58,907
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8. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the reporting period:		
Final in respect of the year ended 31 December 2023 – HK6.209 cents per ordinary share (2023: Final in respect of the year ended 31 December 2022 – HK5.556 cents per ordinary share)	<u>76,762</u>	<u>67,570</u>
Dividend declared after the end of the reporting period:		
Proposed 2024 Interim – Nil (2023: Proposed 2023 Interim – HK2.970 cents per ordinary share)	<u>–</u>	<u>36,935</u>
	<u>76,762</u>	<u>104,505</u>

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB125,288,000 (six months ended 30 June 2023: RMB103,009,000), and the weighted average number of ordinary shares of 1,351,898,080 (six months ended 30 June 2023: 1,351,891,655) in issue during the period.

No adjustment has been made to the basic earnings per share presented for the six months ended 30 June 2024 and 2023 as the Group had no potentially dilutive ordinary shares in issue during these periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of owned property, plant and equipment of RMB14,259 thousand (six months ended 30 June 2023: RMB17,179 thousand).

11. TRADE AND BILLS RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	394,585	535,827
Impairment	(4,227)	(3,669)
	<u>390,358</u>	<u>532,158</u>
Bills receivables	<u>236</u>	<u>–</u>
Total	<u>390,594</u>	<u>532,158</u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	242,981	396,049
1 to 2 months	97,490	84,936
2 to 3 months	24,465	22,075
Over 3 months	25,658	29,098
	<u>390,594</u>	<u>532,158</u>

12. TRADE AND BILLS PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	278,051	406,783
1 to 2 months	100,064	71,606
2 to 3 months	131,203	502
Over 3 months	93,625	27,676
	<u>602,943</u>	<u>506,567</u>

13. SHARE CAPITAL

Shares

	30 June 2024		31 December 2023	
	<i>US\$'000</i>	<i>RMB'000</i>	<i>US\$'000</i>	<i>RMB'000</i>
	(Unaudited)		(Audited)	
Authorised:				
3,000,000,000 ordinary shares of US\$0.0005 each	<u>1,500</u>	<u>10,280</u>	<u>1,500</u>	<u>10,280</u>
Issued and fully paid:				
1,354,590,080 ordinary shares (31 December 2023: 1,354,590,080) of US\$0.0005 each	<u>678</u>	<u>4,637</u>	<u>678</u>	<u>4,637</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

During the Reporting Period, the Group recorded a revenue of RMB1,353,470 thousand, representing a decrease of 1.7% as compared to the corresponding period of 2023; and the Group's profit for the period increased by 22.7% to RMB127,566 thousand for the Reporting Period.

Business segments

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

- ***Distribution Business***

The distribution of IVD products forms the cornerstone of the Group's business. It primarily involves the trading of IVD analysers, reagents and other consumables to customers such as distributors, hospitals and healthcare institutions and logistics providers. The Group's distribution of IVD products was primarily conducted through Vastec Medical Equipment (Shanghai) Co., Ltd. (“Vastec”), a subsidiary of the Company. Vastec is primarily engaged in the distribution of Sysmex Corporation's (“Sysmex”) haemostasis products in the PRC. It has been the sole national distributor of Sysmex's haemostasis products with exclusive distribution rights in the PRC since 1997 and also procures a diversified portfolio of IVD products from other leading international brands for distribution in the PRC. As of 30 June 2024, approximately 6,723 of Sysmex haemostasis analysers have been installed by the Group and in use at hospitals and healthcare institutions accumulatively.

Having worked together for 26 years, Vastec and Sysmex Shanghai Ltd. both agreed to enhance the parties' cooperation in order to better tackle market changes in the future, and entered into the Strategic Cooperation Agreements in 2023, under which the parties agreed to amend Vastec's distribution right, and to cooperate in relation to the shareholding structure of Vastec. In particular, Vastec's distribution right to distribute Sysmex's haemostasis products in designated areas in China has been amended from a specified period right to a long-term right. Pursuant to these Strategic Cooperation Agreements, Sysmex Shanghai Ltd. has made a capital injection to, and has become a shareholder of, Vastec.

The Group also provides 4 Thrombotic Markers (*Note*) products manufactured by Sysmex to the market. These products adopt highly sensitive chemiluminescence technology, which may facilitate early diagnosis of thrombosis and fibrinolysis. As of 30 June 2024, 105 Sysmex haemostasis immunoassay analysers which performed the 4 Thrombotic Markers have been installed by the Group at the hospitals and healthcare institutions in the PRC.

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

In addition, the Group provides solution services to the clinical laboratories of hospitals. This has enabled the Group to establish and maintain direct relationships with local medical practitioners so as to keep the Group close to the frontline of the medical practice and the market demand of IVD products. In the first half of 2024, the Group provided solution services to six Class III hospitals in the PRC. Solution services contributed revenue of RMB117,462 thousand for the Reporting Period, representing an increase of 4.7% as compared to RMB112,227 thousand for the six months ended 30 June 2023. Such increase was primarily due to the increase in operation of hospitals.

Through years of operations, the Group has established an expansive distribution network across 31 provinces, municipalities and autonomous regions in the PRC with an extensive hospital coverage. As of 30 June 2024, the Group had 234 (as of 30 June 2023: 240) direct customers, including hospitals and healthcare institutions, and 950 (as of 30 June 2023: 935) distributors in its established distribution network. As of 30 June 2024, the Group also covered 1,641 Class III hospitals mainly through its sub-distribution networks in the PRC, which further enhanced the competitiveness of the Group.

- ***After-sales Services***

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

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

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

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

During the Reporting Period, operating losses amounting to RMB5,012 thousand from the operation of above projects has been included in the profit attributable to owners of the parent, as the projects are still in the early research stages. The losses did not have a material impact on the Group's operation and financial results.

INDUSTRY OVERVIEW

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

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

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

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

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

BUSINESS OUTLOOK AND DEVELOPMENT STRATEGIES

The Company's successful listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 July 2019 provided the Group with a good opportunity for future development. With the support of the capital market, the Group will consolidate its leading position in the IVD industry in the PRC and adopt active development strategies, including but not limited to the following:

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

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

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

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

Further improve research and development capabilities of the Group and accelerate the expansion of self-branded products customer base and engage in artificial intelligence related projects

Strong research and development capabilities are critical to securing future development and sustainable growth of the Group. The Group intends to invest more resources to further improve its research and development capabilities by acquiring equipment, instruments and hiring experts in the relevant fields. The Group will engage in research projects to further develop its self-branded IVD products which are of promising market potential. The Group is also keen to further strengthen its product quality management, and optimise the performance and applicability of self-developed products to improve market competitiveness. With a high cost performance ratio of own brand/domestic products, the Group will be able to penetrate the mid to low-end market and to establish a broader customer base consisting of medical institutions in second or third-tier cities or those at grassroots level. The Group is actively exploring opportunities in business cooperations including technical exchanges. Furthermore, the Group intends to further the use of artificial intelligence (the "**AI**") in the Group's operation, which could enhance the Group's IVD product development efforts, and AI-powered tools and analytics could provide valuable insights in assistance of the research, testing and data analysis for the Group's IVD product portfolio.

FINANCIAL REVIEW

Overview

The financial summary set out below is extracted or calculated from the unaudited financial statements of the Group for the Reporting Period, which were prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

During the Reporting Period, the Group recorded revenue of RMB1,353,470 thousand, representing a decrease of RMB23,844 thousand or 1.7% as compared to the corresponding period of 2023.

During the Reporting Period, the Group recorded profit for the period of RMB127,566 thousand, representing an increase of RMB23,564 thousand or 22.7% as compared to the corresponding period of 2023. Profit attributable to owners of the parent amounted to RMB125,288 thousand, representing an increase of RMB22,279 thousand or 21.6% as compared to the corresponding period of 2023.

During the Reporting Period, the Group recorded adjusted profit for the period of RMB127,790 thousand, representing an increase of RMB10,394 thousand or 8.9% as compared to the corresponding period of 2023.

	For the six months ended 30 June		
	2024	2023	Change
	RMB'000	RMB'000	
Operating Results			
Revenue	1,353,470	1,377,314	(1.7%)
Gross profit	324,692	301,540	7.7%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	211,802	191,864	10.4%
Profit for the period	127,566	104,002	22.7%
Profit attributable to owners of the parent	125,288	103,009	21.6%
Adjusted profit for the period (<i>Note 1</i>)	127,790	117,396	8.9%
Adjusted profit attributable to owners of the parent (<i>Note 1</i>)	125,502	116,403	7.8%
Financial Ratios			
Gross profit margin (%) (<i>Note 2</i>)	24.0%	21.9%	increased by 2.1 percentage point
Net profit margin (%) (<i>Note 2</i>)	9.4%	7.6%	increased by 1.8 percentage point
Adjusted profit margin for the period (%) (<i>Note 3</i>)	9.4%	8.5%	increased by 0.9 percentage point
Return on assets (%) (<i>Note 2</i>)	2.5%	2.3%	increased by 0.2 percentage point
Return on equity (%) (<i>Note 2</i>)	3.7%	3.2%	increased by 0.5 percentage point

For the six months ended 30 June

	2024	2023	Change
Average turnover days of trade receivables (days) (Note 2)	62	70	(8)
Average turnover days of inventories (days) (Note 2)	217	122	95
Average turnover days of trade payables (days) (Note 2)	98	53	45

	30 June 2024	31 December 2023	Change
	RMB'000	RMB'000	

Financial Position

Total assets	5,328,067	4,785,052	11.3%
Equity attributable to owners of the parent	3,393,653	3,344,935	1.5%
Cash and cash equivalents	1,589,593	1,224,786	29.8%

Financial Ratios

Current ratio (times) (Note 2)	2.1	2.5	(0.4)
Quick ratio (times) (Note 2)	1.3	1.6	(0.3)
Debt to equity ratio (times) (Note 2)	0.2	0.1	0.1

Note 1: Adjusted profit for the period and adjusted profit attributable to owners of the parent are non-GAAP financial measures and are calculated by profit for the period and profit attributable to owners of the parent excluding certain non-operating items which the Company considers to be not indicative of the operating performance of the Group. See also the paragraph headed “Adjusted profit for the period” of this announcement for more information and calculation of these non-GAAP financial measures.

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

Net profit margin equals net profit divided by revenue.

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

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

Average turnover days of trade receivables equal to the average of the opening and closing balances of trade receivables of the reporting period divided by revenue and multiplied by 181 days.

Average turnover days of inventories equal to the average of the opening and closing balances of inventories of the reporting period divided by cost of sales and multiplied by 181 days.

Average turnover days of trade payables equal to the average of the opening and closing balances of trade payables of the reporting period divided by cost of sales and multiplied by 181 days.

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

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

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

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

Revenue

Revenue of the Group amounted to RMB1,353,470 thousand for Reporting Period, representing a decrease of 1.7% compared to RMB1,377,314 thousand for the six months ended 30 June 2023.

Revenue by business segment

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

Business segment	For the six months ended 30 June				Change
	2024		2023		
	RMB'000	%	RMB'000	%	
Distribution business	1,253,634	92.7	1,293,002	93.9	(3.0%)
After-sales services	95,258	7.0	78,163	5.7	21.9%
Self-branded products business	4,578	0.3	6,149	0.4	(25.5%)
Total	<u>1,353,470</u>	<u>100.0</u>	<u>1,377,314</u>	<u>100.0</u>	<u>(1.7%)</u>

Revenue by product type

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

Product type	For the six months ended 30 June				Change
	2024		2023		
	RMB'000	%	RMB'000	%	
IVD analysers					
– Distribution business	87,032	7.0	140,801	10.9	(38.2%)
– Self-branded products business	584	0.0	1,728	0.1	(66.2%)
Subtotal	<u>87,616</u>	<u>7.0</u>	<u>142,529</u>	<u>11.0</u>	<u>(38.5%)</u>
IVD reagents and other consumables					
– Distribution business	1,166,602	92.7	1,152,201	88.7	1.2%
– Self-branded products business	3,994	0.3	4,421	0.3	(9.7%)
Subtotal	<u>1,170,596</u>	<u>93.0</u>	<u>1,156,622</u>	<u>89.0</u>	<u>1.2%</u>
Total	<u>1,258,212</u>	<u>100.0</u>	<u>1,299,151</u>	<u>100.0</u>	<u>(3.2%)</u>

Revenue by channel

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

Sales channel	For the six months ended 30 June				Change
	2024		2023		
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
Distribution business					
– Distributors	980,511	77.8	1,044,019	80.3	(6.1%)
– Hospitals and healthcare institutions	187,882	15.0	169,563	13.1	10.8%
– Logistics providers	85,241	6.8	79,420	6.1	7.3%
Subtotal	1,253,634	99.6	1,293,002	99.5	(3.0%)
Self-branded products business					
– Distributors	4,336	0.4	4,651	0.4	(6.8%)
– Hospitals and healthcare institutions	242	0.0	1,498	0.1	(83.8%)
Subtotal	4,578	0.4	6,149	0.5	(25.6%)
Total	1,258,212	100.0	1,299,151	100.0	(3.2%)

Cost of sales

Cost of sales of the Group amounted to RMB1,028,778 thousand for the Reporting Period, representing a decrease of 4.4% compared to RMB1,075,774 thousand for the six months ended 30 June 2023.

Cost of sales by business segment

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

Business segment	For the six months ended 30 June				Change
	2024		2023		
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
Distribution business	986,628	95.9	1,026,309	95.4	(3.9%)
After-sales services	40,912	4.0	47,784	4.4	(14.4%)
Self-branded products business	1,238	0.1	1,681	0.2	(26.4%)
Total	1,028,778	100.0	1,075,774	100.0	(4.4%)

Cost of sales by product type

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

Product type	For the six months ended 30 June				Change
	2024		2023		
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
IVD analysers					
– Distribution business	72,164	7.3	112,581	10.9	(35.9%)
– Self-branded products business	148	0.0	737	0.1	(79.9%)
Subtotal	72,312	7.3	113,318	11.0	(36.2%)
IVD reagents and other consumables					
– Distribution business	914,464	92.6	913,728	88.9	0.1%
– Self-branded products business	1,090	0.1	944	0.1	15.5%
Subtotal	915,554	92.7	914,672	89.0	0.1%
Total	987,866	100.0	1,027,990	100.0	(3.9%)

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. Gross profit of the Group amounted to RMB324,692 thousand for the Reporting Period, representing an increase of 7.7% as compared to RMB301,540 thousand for the six months ended 30 June 2023. Such increase was primarily due to the increase in gross profit margin of after-sales services.

Gross profit margin is calculated as gross profit divided by revenue. Gross profit margin of the Group was 24.0% for the Reporting Period, increased from 21.9% for the six months ended 30 June 2023, which was primarily due to the decrease in cost of services rendered.

Gross profit and gross profit margin by business segment

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

Business segment	For the six months ended 30 June				Change
	2024		2023		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
Distribution business					
– IVD analysers	14,868	17.1	28,220	20.0	(47.3%)
– IVD reagents and other consumables	252,138	21.6	238,473	20.7	5.7%
Subtotal	267,006	21.3	266,693	20.6	0.1%
After-sales services	54,346	57.1	30,379	38.9	78.9%
Self-branded products business					
– IVD analysers	436	74.7	991	57.3	(56.0%)
– IVD reagents and other consumables	2,904	72.7	3,477	78.6	(16.5%)
Subtotal	3,340	73.0	4,468	72.7	(25.3%)
Total	324,692	24.0	301,540	21.9	7.7%

Gross profit and gross profit margin by product type

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

Product type	For the six months ended 30 June				Change
	2024		2023		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
IVD analysers					
– Distribution business	14,868	17.1	28,220	20.0	(47.3%)
– Self-branded products business	436	74.7	991	57.3	(56.0%)
Subtotal	15,304	17.5	29,211	20.5	(47.6%)
IVD reagents and other consumables					
– Distribution business	252,138	21.6	238,473	20.7	5.7%
– Self-branded products business	2,904	72.7	3,477	78.6	(16.5%)
Subtotal	255,042	21.8	241,950	20.9	5.4%
Total	270,346	21.5	271,161	20.9	(0.3%)

Other income and gains

Other income and gains of the Group amounted to RMB9,528 thousand for the Reporting Period, representing a decrease of 49.7% compared to RMB18,957 thousand for the six months ended 30 June 2023. Such decrease was primarily due to the absence of foreign exchange gain, which is partially offset by the increase in government subsidies received.

	For the six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Other income		
Bank interest income	1,766	1,749
Government subsidies	6,775	3,720
Others	946	656
	<hr/>	<hr/>
Subtotal	9,487	6,125
	<hr/>	<hr/>
Gains		
Gain on disposal of items of property, plant and equipment	41	94
Gain on termination/modification of lease contracts	-	8
Exchange gain	-	12,730
	<hr/>	<hr/>
Subtotal	41	12,832
	<hr/>	<hr/>
Total	9,528	18,957
	<hr/> <hr/>	<hr/> <hr/>

Selling and distribution expenses

Selling and distribution expenses of the Group amounted to RMB60,090 thousand for the Reporting Period, representing a decrease of 0.8% compared to RMB60,568 thousand for the six months ended 30 June 2023.

Administrative expenses

Administrative expenses of the Group amounted to RMB76,169 thousand for the Reporting Period, representing an increase of 5.9% compared to RMB71,933 thousand for the six months ended 30 June 2023. Such increase was primarily due to the increase of business activities.

Other expenses

Other expenses of the Group amounted to RMB1,350 thousand for the Reporting Period, which was mainly due to the exchange loss.

Finance costs

Finance costs of the Group amounted to RMB11,629 thousand for the Reporting Period, representing an increase of 8.3% as compared to RMB10,739 thousand for the six months ended 30 June 2023. Such increase was primarily due to the increase of average bank borrowing amount when compared to the six months ended 30 June 2023.

Profit for the period

Profit of the Group for the period amounted to RMB127,566 thousand for the Reporting Period, representing an increase of 22.7% as compared to RMB104,002 thousand for the six months ended 30 June 2023. Such increase was primarily due to the increase in gross profit margin of after-sales services as detailed above.

Adjusted profit for the period

Certain additional non-GAAP financial measures (adjusted profit of the Group and adjusted profit attributable to owners of the parent) have been presented in this announcement. These non-GAAP financial measures exclude the impact of certain non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, with the intent to provide the Shareholders and potential investors with supplementary information to assess the performance of the Group's core operations. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with relevant GAAP. In addition, these non-GAAP financial measures does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies. Adjusted profit of the Group for the period amounted to RMB127,790 thousand for the Reporting Period, representing an increase of 8.9% as compared to RMB117,396 thousand for the six months ended 30 June 2023. Such increase was primarily due to the increase in gross profit margin of after-sales services. The following table set out the calculation of the non-GAAP adjusted profit of the Group for the Reporting Period and the corresponding period in 2023:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Profit for the period	127,566	104,002
Adjusted for non-operating items:		
Tax effects related to employee share-based compensation benefits under the Share Award Scheme	–	11,249
Fair value loss on financial assets at fair value through profit or loss	6	1,648
Share of loss of a joint venture	291	663
Deferred tax of share of loss of a joint venture	(73)	(166)
Adjusted profit for the period (<i>Non-GAAP</i>)	<u>127,790</u>	<u>117,396</u>

Liquidity and financial resources

On 25 June 2024, the Group entered into a placing agreement with a placing agent to place up to 270,918,016 new shares under the general mandate. An aggregate of 270,918,016 shares have been successfully placed to no less than six places at the price of HK\$0.7 per placing share. See also “Certain events during and/or after the Reporting Period” in this announcement. Save for the above, the Group had no fund-raising activities during the Reporting Period.

As of 30 June 2024, the Group had cash and cash equivalents of RMB1,589,593 thousand (primarily denominated in HKD, RMB and USD), as compared to RMB1,224,786 thousand as of 31 December 2023. The approach adopted by the Board to manage the liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group’s reputation.

Capital structure

As of 30 June 2024, the Group’s total equity attributable to owners of the parent was RMB3,393,653 thousand (31 December 2023: RMB3,344,935 thousand), comprising share capital of RMB4,637 thousand (31 December 2023: RMB4,637 thousand) and reserves of RMB3,389,016 thousand (31 December 2023: RMB3,340,298 thousand).

Net current assets

The Group had net current assets of RMB1,829,422 thousand as of 30 June 2024, representing an increase of RMB46,331 thousand as compared to RMB1,783,091 thousand as of 31 December 2023.

Interest rate risk

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

Foreign currency risk

The Group faces transactional currency exposures arising from bank deposits held by operating units in currencies other than the units' functional currency. The currencies giving rise to such risk are primarily USD and HKD. For the Reporting Period, the Group recorded a net exchange loss of RMB1,350 thousand, as compared to a net exchange gain of RMB12,730 thousand for the six months ended 30 June 2023. As of 30 June 2024, the Group did not have any significant hedging arrangement to manage foreign exchange risks but has been actively monitoring and overseeing its foreign exchange risks.

Credit risk

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

Liquidity risk

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

Capital expenditure

For the Reporting Period, the Group's total capital expenditure amounted to RMB14,259 thousand, which was primarily used in property, plant and equipment.

Charge/pledge on assets

As of 30 June 2024, the Group's bank deposits of RMB114,087 thousand were pledged to secure the Group's letter of credit in the aggregate amount of RMB623,615 thousand.

Borrowings

The Group had bank borrowings of RMB799,820 thousand as of 30 June 2024 denominated in RMB, all of which bore interest at fixed rates. These bank borrowings as of 30 June 2024 were repayable on or before 30 June 2025.

Contingent liabilities and guarantees

As of 30 June 2024, the Group did not have any material contingent liabilities, guarantees or any litigation against it (as of 31 December 2023: nil).

Gearing ratio

As of 30 June 2024, the Group's gearing ratio (the gearing ratio is equivalent to total debt divided by total assets as of that day) was approximately 15.0% (as of 31 December 2023: 6.7%).

Significant investments

The aggregate carrying value of the Group's investments in joint venture(s) and associate(s) amounted to RMB42,483 thousand as of 30 June 2024. As of 30 June 2024 and 31 December 2023, the Group did not hold any significant investments in the equity interests of other companies save for the above.

Dividend

The Board has resolved not to declare any interim dividend for the Reporting Period.

Future plans for material investments and capital assets

As of 30 June 2024, the Group had a capital commitment to a joint venture of RMB29,246 thousand (as of 31 December 2023: RMB29,829 thousand).

As of 30 June 2024, the Group did not have other plans for material investments and capital assets authorised by the Board.

Employee and remuneration policy

As of 30 June 2024, the Group had 815 employees (as of 30 June 2023: 779 employees). Total staff remuneration expenses, including remuneration for Directors, for the Reporting Period amounted to RMB66,402 thousand (for the six months ended 30 June 2023: RMB62,898 thousand).

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

To attract and retain more suitable personnel for development of the Group, the Company has adopted a pre-initial public offering share option scheme (the “**ESOP**”, as approved on 29 December 2017 and further amended on 27 March 2019) and a share option scheme (the “**Share Option Scheme**”, as approved on 21 June 2019), details of which were set out in the Prospectus. From the date of the adoption and up to the date of this announcement, 32,507,627 share options under the ESOP and 26,668,000 share options under the Share Option Scheme have been granted, and 13,003,051 options and 25,067,920 options were outstanding under the ESOP and the Share Option Scheme, respectively, as of 30 June 2024.

The Company has a Share Award Scheme, which provide the framework and mechanism for the Company to recognise the contributions by the Group’s employees of the Group, to provide incentives and to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. As of 30 June 2024, 2,711,000 Shares were held in trust under the Share Award Scheme. There were no unvested award shares as of 30 June 2024.

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

The Company’s 2023 Annual Report – Report of the Directors “Share Schemes”, and the forthcoming 2024 interim report set out further information about the share schemes.

CERTAIN EVENTS DURING AND/OR AFTER THE REPORTING PERIOD

Placing of new shares under general mandate

The Company issued 270,918,016 ordinary shares (“**Shares**”) on 24 July 2024 (representing approximately 16.67% of the issued Shares as enlarged by such allotment) to not less than six placees at the price of HK\$0.7 per Share, pursuant to a placing agreement between the Company and Sunhigh Financial Holdings Limited (as placing agent) dated 25 June 2024. These Shares were issued under the general mandate. The Company received net proceeds of approximately HK\$189 million. More information, including the intended use of proceeds, is set out in the Company’s announcements dated 25 June 2024 and 24 July 2024, respectively. As at the date of this announcement, the proceeds have not been utilised.

Change of composition of the Board and other personnel

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

- (a) The following appointments took place: Mr. Chan Siu Kei Ken as an executive Director, Mr. Law Kim Fai as an executive Director, chief financial officer and company secretary, Mr. Liu Fei as a non-executive Director, and Mr. Wong Sze Lok as an independent non-executive Director. They have obtained the legal advice referred to in Rule 3.09D of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), and each of them has confirmed he understood his obligations as a director of a listed issuer (For Mr. Liu Fei, on 8 March 2024, and for other new Directors, on 28 March 2024); and
- (b) The following resignations became effective: Mr. Leung King Sun as an executive Director and chief operating officer, Mr. Sun Tao and Mr. Yang Zhaoxu as non-executive Directors and Mr. Lau Siu Ki as an independent non-executive Director.

Ms. Lam Wai Yan ceased to be a company secretary with effect from 1 July 2024. More information with respect to these changes and other associated changes in the Board committees and personnel is set out in the Company’s announcements dated 31 January 2024, 8 March 2024, 28 March 2024 and 28 June 2024, respectively.

Subsequent event

The Group has had no material event since the end of the Reporting Period and up to the date of this announcement except for matters disclosed in this announcement.

SUPPLEMENTAL INFORMATION

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

During the Reporting Period, except for matters disclosed in this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the Reporting Period.

Compliance with the model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix C3 to the Listing Rules regarding securities transactions by the Directors.

Each Director has confirmed, following specific enquiries by the Company, that he/she complied with the Model Code throughout the Reporting Period.

Corporate governance code

During the Reporting Period, save for the code provision addressed below, the Company met all the applicable code provisions in Part 2 of the Corporate Governance Code in Appendix C1 to the Listing Rules.

Code provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Ho Kuk Sing who is one of the founders of the Group and has extensive experience in the industry, is the chairman and chief executive officer of the Company. The Board is of the view that Mr. Ho Kuk Sing has been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under his strong and consistent leadership, and is beneficial to the management and development of the Group's business overall. Please also refer to the Company's 2023 Annual Report – Corporate Governance Report “Chairman and Chief Executive Officer” for further information.

Review by the audit committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Wong Sze Lok (Chairman of the committee), Mr. Zhong Renqian and Mr. Leung Ka Sing.

The Company's interim results for the Reporting Period have been reviewed by the Audit Committee. Based on such review, the Audit Committee was of the opinion that the Company's unaudited interim results were prepared in accordance with applicable accounting standards. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

Disclosure of information

This announcement has been published on the websites of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.ivdholding.com>). The 2024 interim report of the Company will be available on the same websites in due course.

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

Hong Kong, 28 August 2024

As at the date of this announcement, the Company has four executive Directors, namely, Mr. Ho Kuk Sing, Mr. Lin Xianya, Mr. Chan Siu Kei Ken and Mr. Law Kim Fai, two non-executive Directors, namely, Ms. Yao Haiyun and Mr. Liu Fei and three independent non-executive Directors, namely, Mr. Zhong Renqian, Mr. Leung Ka Sing and Mr. Wong Sze Lok.

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

This announcement contains forward-looking statements that reflect the Company's beliefs, plans or expectations about the future or future events. These statements are based on assumptions, current estimates and projections, and are subject to risks, uncertainties and other factors which may be beyond control. The actual outcomes may differ materially and/or adversely. Nothing contained in these statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.