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

Global Offering

Sole Sponsor and Sole Global Coordinator

BOC INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

BOC INTERNATIONAL

AMTD 尚乘

兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL

海通國際 HAITONG

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

IVD Medical Holding Limited
華檢醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**333,400,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**33,340,000 Shares (subject to adjustment)**
Number of International Offer Shares	:	**300,060,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$3.68 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**US$0.0005 per share**
Stock code	:	**1931**

Sole Sponsor and Sole Global Coordinator

BOC INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

BOC INTERNATIONAL AMTD 尚乘 兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL 海通國際 HAITONG

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around 5 July 2019 and, in any event, not later than 6 July 2019. The Offer Price will not be more than HK$3.68 and is currently expected to be not less than HK$3.07. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$3.68 for each Offer Share together with a brokerage of 1%, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%.

The Sole Global Coordinator, on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus (which is HK$3.07 to HK$3.68 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.ivdholding.com**. Further details are set out in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Sole Global Coordinator (on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price by 6 July 2019, the Global Offering will not become unconditional and will lapse immediately.

Prospective investors should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the day on which trading in our Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act.

29 June 2019

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.com.hk**[2]	11:30 a.m. on Friday, 5 July 2019
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Friday, 5 July 2019
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 5 July 2019
Latest time to lodge **White** and **Yellow** Application Forms	12:00 noon on Friday, 5 July 2019
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Friday, 5 July 2019
Application lists of the Hong Kong Public Offering close	12:00 noon on Friday, 5 July 2019
Expected Price Determination Date[5]	Friday, 5 July 2019

Announcement of:

- the Offer Price
- the level of indications of interest in the International Offering;
- the level of applications under the Hong Kong Public Offering; and
- the basis of allotment of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.ivdholding.com** on or before	Thursday, 11 July 2019
Announcement of results of allotment in the Hong Kong Public Offering (with successful applicants' identification document numbers where applicable) available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus	Thursday, 11 July 2019

Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/iporesult** with a "search by ID" function . . . . . . .Thursday, 11 July 2019

Despatch of Share certificates in respect of wholly or partially successful applications on or before . . . . .Thursday, 11 July 2019

Despatch of refund cheques (if applicable) in respect of wholly and partially successful applications (if applicable) or wholly or partially unsuccessful applications on or before . . . . .Thursday, 11 July 2019

Despatch of **White Form** e-Auto Refund payment (if applicable) in respect of wholly and partially successful applications (if applicable) or wholly or partially unsuccessful applications on or before . . . . .Thursday, 11 July 2019

Dealings in our Shares on the Stock Exchange expected to commence on. . . . . .Friday, 12 July 2019

Notes:

(1) All dates and times refer to Hong Kong dates and time, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus. If there is any change in the above expected timetable, we will issue a separate announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 July 2019, the application lists will not open and close on that day. Please refer to the section headed "How to Apply for Hong Kong Offer Shares – Effect of bad weather conditions on the opening of the application lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares – Applying by giving **electronic application instructions** to HKSCC" in this prospectus.

(5) The Price Determination Date is expected to be on or about Friday, 5 July 2019, and in any event will not be later than Saturday, 6 July 2019. If, for any reason, the Offer Price is not agreed on or before Saturday, 6 July 2019, the Global Offering will not proceed and will lapse.

Share certificates will only become valid certificates of title if the Global Offering has become unconditional in all respects and the Underwriting Agreements have not been terminated in accordance with its terms, which is expected to be at or around 8:00 a.m., on Friday, 12 July 2019. Investors who trade in our Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

If you apply by **White** or **Yellow** Application Form, subject to personal collection as mentioned in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus, the following will be sent to you (or, in the case of sole applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **Yellow** Application Forms, share certificates will be deposited into CCASS as described in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of sole applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are sole applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

You should read carefully the sections headed "Underwriting", "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure and conditions of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable including, inter alia, applicable conditions, the effect of bad weather, and the despatch of refund cheques and Share certificates.

We will publish an announcement in case there is any change in the expected timetable of the Hong Kong Public Offering as described above.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with different information. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person or party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with an investment in the Offer Shares. Some of the particular risks associated with an investment in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a distributor of In Vitro Diagnostic ("**IVD**") products in the PRC, with our Original Group being the third largest distributor in the Shanghai IVD market and Vastec being the fourth largest tier 1 IVD distributor in the PRC in 2018. We also engage in the research, development, manufacturing and sales of our self-branded IVD products under our brand name "". We have been able to steadily grow our market share and profits in a highly fragmented industry by taking advantage of our competitive and diverse product portfolio, expansive distribution network and extensive hospital coverage.

During the Track Record Period, our Original Group engaged primarily in the distribution of IVD products, including analysers, reagents and other consumables, in Shanghai primarily through its wholly owned subsidiary Dacheng. Since 2012, Dacheng has been a regional distributor of Sysmex' haemostasis products in Shanghai for Vastec, which has primarily been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights since 1997. Vastec was an associated company of our Original Group before the Acquisition, and was also largely under the same core management team through Mr. Leung and Mr. Ho. In order to integrate the distribution value chain and to mitigate the potential impact from the national implementation of the "two invoice system", we acquired the remaining 60% equity interest in Vastec in January 2019. After the Acquisition, Vastec became our wholly owned subsidiary. As the Acquisition was completed after the end date of the Track Record Period, the financial performance of Vastec had not been consolidated into our Original Group during the Track Record Period. Please refer to the section headed "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" in Appendix IIIB to this prospectus for our pro forma financial information as if the Acquisition had been completed on 1 January 2018.

Our co-founders and executive Directors Mr. Ho and Mr. Leung have extensive experience in the IVD industry in the PRC. They have been engaged in the sales and distribution of IVD products in the PRC for around 25 years. Through Mr. Ho, Mr. Leung and Mr. Lin's involvement, we have built a strong team of highly experienced professionals in operations, general management and financial management through years of operation.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success, differentiated us from our competitors, and will continue to be the key drivers of our growth:

- We are a leading regional distributor in the Shanghai IVD market and a leading tier 1 distributor in the fast-growing PRC IVD market;
- We have an expansive distribution network with an extensive hospital coverage;
- Our existing installation capacity of IVD analysers can secure a recurring income stream from the sales of IVD reagents;
- We have a stable and good business relationship with internationally renowned IVD suppliers to build up a diversified product portfolio;
- We are capable of producing self-branded IVD products to vertically integrate our IVD products supply chain; and
- Our experienced and committed professional management and sales teams with a proven track record.

BUSINESS STRATEGIES

We aim to continue the growth and expansion of our operations in the PRC through the following strategic initiatives:

- Expand our product portfolio, the reach of our distribution network and our hospital coverage;
- Continue to develop our distribution business by enhancing our capacity in providing solution services; and

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

BUSINESS MODEL

Our business model can be broadly categorised into the following three segments:

- ***Distribution Business – through our Original Group:*** The distribution of IVD products primarily through Dacheng forms the cornerstone of our Original Group's business. It primarily involves the trading of IVD analysers, reagents and other consumables to customers such as hospitals and healthcare institutions, logistics providers and distributors in Shanghai. IVD (Shanghai) also contributed to our Original Group's distribution business, in a similar manner to Dacheng, but at a much smaller scale. In addition, Dacheng provides solution services to the clinical laboratories of hospitals for centralised procurement.
- ***Distribution Business – through Vastec:*** Vastec became our wholly owned subsidiary after the Acquisition. It has been the sole national distributor of Sysmex' haemostasis products to distribute haemostasis analysers, reagents and other consumables, with exclusive distribution rights to regional distributors in the PRC since 1997. In addition, Vastec provides maintenance services to its end customers.
- ***Self-branded Products Business – under our brand name "IVD":*** We also engage in the research, development, manufacturing and sales of IVD analysers and reagents under our brand.

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

Business segment	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Distribution business	283,096	97.5	319,382	94.4	408,440	98.7
Self-branded products business	7,345	2.5	18,886	5.6	5,195	1.3
Total revenue of our Original Group	**290,441**	**100.0**	**338,268**	**100.0**	**413,635**	**100.0**

The following table sets out the breakdown of our Original Group's revenue by product type for the periods indicated:

Product type	Year ended 31 December					
	2016		2017		2018	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
IVD analysers						
– Distribution business	11,760	4.1	25,289	7.5	41,457	10.0
– Self-branded products business	4,431	1.5	39	0.0	–	0.0
Subtotal	16,191	5.6	25,328	7.5	41,457	10.0
IVD reagents and other consumables						
– Distribution business	271,336	93.4	294,093	86.9	366,983	88.7
– Self-branded products business	2,914	1.0	18,847	5.6	5,195	1.3
Subtotal	274,250	94.4	312,940	92.5	372,178	90.0
Total revenue of our Original Group	**290,441**	**100.0**	**338,268**	**100.0**	**413,635**	**100.0**

The following table sets out the breakdown of our Original Group's revenue by sales channel for the periods indicated:

Sales channel	Year ended 31 December					
	2016		2017		2018	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Distribution business						
– Hospitals and healthcare	141,863	48.9	159,827	47.2	202,714	49.0
– Logistics providers	87,759	30.2	71,011	21.0	84,012	20.3
– Distributors	53,474	18.4	88,544	26.2	121,714	29.4
Subtotal	283,096	97.5	319,382	94.4	408,440	98.7
Self-branded products business						
– Distributors	7,345	2.5	18,886	5.6	5,195	1.3
Subtotal	7,345	2.5	18,886	5.6	5,195	1.3
Total revenue of our Original Group	**290,441**	**100.0**	**338,268**	**100.0**	**413,635**	**100.0**

The following table sets out the breakdown of Vastec's revenue by business segment for the periods indicated (Vastec only became our wholly-owned subsidiary after the completion of the Acquisition in January 2019):

Business segment	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Distribution business	1,380,870	100.0	1,528,018	95.8	1,729,396	93.4
Maintenance services	–	–	67,608	4.2	123,118	6.6
Total revenue of Vastec	**1,380,870**	**100.0**	**1,595,626**	**100.0**	**1,852,514**	**100.0**

The following table sets out the breakdown of Vastec's revenue by product type under the distribution business segment for the periods indicated (Vastec only became our wholly-owned subsidiary after the completion of the Acquisition in January 2019):

Product type	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
IVD analysers	384,334	27.8	344,985	22.6	360,369	20.8
IVD reagents and other consumables(1)	996,536	72.2	1,183,033	77.4	1,369,027	79.2
Total revenue of distribution business of Vastec	**1,380,870**	**100.0**	**1,528,018**	**100.0**	**1,729,396**	**100.0**

Note:

1. Other consumables primarily include cuvettes, pipettes, test cards, blenders, cleaning solutions, spare parts, etc., majority of which are often used together with the IVD reagents, such as cuvettes and pipettes.

The following table sets out the breakdown of Vastec's revenue by sales channel under the distribution business segment for the periods indicated (Vastec only became our wholly-owned subsidiary after the completion of the Acquisition in January 2019):

Sales channel	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Distributors	1,347,589	97.6	1,496,517	97.9	1,688,587	97.6
Hospitals[1]	33,281	2.4	31,501	2.1	40,809	2.4
Total revenue of distribution business of Vastec	**1,380,870**	**100.0**	**1,528,018**	**100.0**	**1,729,396**	**100.0**

Note:

1. The hospitals channel includes healthcare institutes, universities and medical laboratories.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets out the gross profit and gross profit margin of our Original Group by business segment for the periods indicated:

	Year ended 31 December					
Business segment	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Distribution business	78,539	27.7	92,211	28.9	112,511	27.5
Self-branded products business	5,359	73.0	16,003	84.7	4,160	80.1
Total gross profit of our Original Group	**83,898**	**28.9**	**108,214**	**32.0**	**116,671**	**28.2**

The following table sets out a breakdown of the gross profit and gross profit margin of our Original Group by product type for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
IVD analysers						
– Distribution business	2,928	24.9	4,881	19.3	6,254	15.1
– Self-branded products business	3,238	73.1	3	7.7	–	–
Subtotal	6,166	38.1	4,884	19.3	6,254	15.1

	Year ended 31 December					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
IVD reagents and other consumables						
– Distribution business	75,611	27.9	87,329	29.7	106,257	29.0
– Self-branded products business	2,121	72.8	16,001	84.9	4,160	80.1
Subtotal	77,732	28.3	103,330	33.0	110,417	29.7
Total gross profit of our Original Group	**83,898**	**28.9**	**108,214**	**32.0**	**116,671**	**28.2**

The following table sets out the gross profit and gross profit margin of Vastec by business segment and product type for the periods indicated (Vastec only became our wholly-owned subsidiary after the completion of the Acquisition in January 2019):

	Year ended 31 December					
Business segment	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Distribution business						
– IVD analysers	55,667	14.5	52,819	15.3	35,425	9.8
– IVD reagents and other consumables	274,617	27.6	281,433	23.8	257,043	18.8
Subtotal	330,284	23.9	334,252	21.9	292,468	16.9
Maintenance services	–	–	26,165	38.7	75,472	61.3
Total gross profit of Vastec	330,284	23.9	360,417	22.6	367,940	19.9

For details of the fluctuations of our Original Group's gross profit and gross profit margin, please see the section headed "Financial Information of Our Original Group – Principal income statement components – Revenue" on pages 321 to 323 of this prospectus.

For details of the fluctuations of Vastec's gross profit and gross profit margin, please see the section headed "Financial Information of Vastec – Principal income statement components – Revenue" on pages 376 to 379 of this prospectus.

OUR PRODUCTS

The IVD products that are distributed through our Original Group under the distribution business segment mainly include IVD analysers, reagents and other consumables, which mainly cover four out of the six major IVD testing categories, namely haematology and body fluid, immunoassay, clinical chemistry and Point-of-care testing ("**POCT**"). The IVD products distributed through Vastec, which consist of analysers, reagents and other consumables, cover the haematology and body fluid and immunoassay testing categories. The majority of the distributed products under the haematology and body fluid category (via both our Original Group and Vastec) have been sourced from Sysmex as a result of the distribution rights secured by Vastec. Our self-branded IVD products, which consist of analysers and reagents, cover the POCT testing category. We currently have three developed analysers and we have two analysers under development, we also have two developed reagents and two reagents under development.

The relationship between our Original Group, Vastec and Sysmex

According to Frost & Sullivan, the haemostasis analysis market in the PRC is centralised and dominated by a few overseas manufacturers including Sysmex being the leading market player with a market share of approximately 43.9% by revenue in 2018. Sysmex is a company founded in 1968 with a focus in the IVD products industry. In addition, Sysmex ranked second in the PRC urinalysis market with a market share of approximately 29.7% by revenue in 2018. Vastec is a leading tier 1 distributor in the PRC IVD market and has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997. Sysmex haemostasis products as distributed by Vastec had the largest market share of approximately 37.9% by revenue in the PRC tier 1 distributed haemostasis analysis market in 2018. During the Track Record Period, Sysmex had been the largest supplier of Vastec and purchases from Sysmex accounted for approximately 94.7%, 94.7% and 94.9% of the total purchases of Vastec, respectively. For over six years, Dacheng has been a regional distributor of Vastec to distribute Sysmex' haemostasis products in Shanghai. Dacheng's Sysmex haemostasis products had the largest market share of approximately 54.4% by revenue in the Shanghai haemostasis market in 2018. In April 2016, Dacheng was appointed as a regional distributor for Sysmex' urinalysis products in Shanghai. In January 2019, Vastec became our wholly owned subsidiary after the Acquisition.

OUR SALES AND DISTRIBUTION NETWORK

Distribution through our Original Group

During the Track Record Period, our Original Group conducted its distribution business of IVD products primarily through Dacheng and with small amounts through IVD (Shanghai), which procured IVD products mainly from tier 1 distributors or directly from IVD manufacturers and distributed them via three channels: (i) to hospitals and healthcare institutions, (ii) to logistics providers or (iii) to distributors.

As at 31 December 2016, 2017 and 2018, our Original Group directly covered 79, 75 and 88 hospitals and healthcare institutions, six, six and six logistics providers, and 200, 188 and 202 distributors, respectively. In order to further strengthen our relationship with hospitals and healthcare institutions, our Original Group also provides solution services to hospitals through Dacheng. As at the Latest Practicable Date, Dacheng has entered into cooperation agreements with three hospitals. Please see the section headed "Business – Distribution Business – Through our Original Group" in this prospectus for further details.

Distribution through Vastec

Vastec is a leading tier 1 distributor of IVD products in the PRC. It is the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC, with over 20 years of experience in the industry. During the Track Record Period, Vastec primarily procured IVD products directly from IVD manufacturers (such as Sysmex) and then distributed in the PRC through its lower-tier distributors that then onsold to their subdistributors or directly to hospitals and other healthcare institutions. In addition, Vastec also distributes a small quantity of IVD products directly to hospitals and healthcare institutions.

With over 20 years of experience, Vastec has established an extensive hospital coverage of 1,080 Class III hospitals, representing approximately 42.4% of the total coverage for Class III hospitals in the PRC by 31 December 2018. As at 31 December 2016, 2017 and 2018, Vastec directly sold its products to 214, 218 and 186 hospitals and healthcare institutions mainly in the PRC, respectively. Moreover, as at 31 December 2018, Vastec had 764 distributors primarily spanning across 28 provinces, municipalities and autonomous regions in the PRC.

Apart from distributing IVD products in the PRC, Vastec derived part of its revenue from providing maintenance services to end customers of Sysmex' haemostasis analysers during the Track Record Period. In 2017, Vastec entered into a maintenance services agreement with Sysmex to provide maintenance services to its end customers' IVD analysers.

Sales of our self-branded products

In relation to our self-branded products, we generally sell them to our distributors, who in turn onsell them to hospitals and healthcare institutions. During the Track Record Period, our self-branded products were sold to 21 provinces and regions primarily through the distribution network of IVD China and its subsidiaries in the PRC. For the years ended 31 December 2016, 2017 and 2018, we engaged 52, 71 and 83 distributors under our self-branded products business segment, respectively.

OUR PRODUCTION

We design and develop two types of self-branded products: IVD analysers and IVD reagents. We manufacture our self-branded reagents on our own through our operating subsidiary, Suzhou DiagVita. On the other hand, we outsource the manufacturing of our self-branded analysers to an OEM manufacturer which is specialised in the production of IVD analysers, and is experienced in providing OEM services. During the Track Record Period, we had one OEM manufacturer and it has been working with this OEM manufacturer for six years.

For details of our manufacturing capacities and facilities, and also the management of our OEM manufacturers, please see the section headed "Business – Self-branded products business" in this prospectus.

OUR DESIGN, RESEARCH AND DEVELOPMENT

We are among one of the IVD distributors in the PRC that also possess IVD product development and production capabilities. In order to capture the opportunities arising from the increasing demand for domestic IVD products, we started to design IVD analysers in 2011 and obtained the first production permit and product registration certificate in November 2013 and June 2014, respectively. In addition, we also acquired 51% equity interests of Suzhou DiagVita, a domestic IVD products manufacturer, in September 2016 and began to develop and manufacture our self-branded IVD reagents. With our dedicated research and development team, we believe that we possess the necessary technology and infrastructure for the continuous development of our self-branded products.

SHAREHOLDER INFORMATION

Upon completion of the Capitalisation Issue and the Global Offering, the issued Shares of our Company will be held as to approximately 34.78% by the Founding Group (comprising 13.16% by KS&KL, 13.16% by King Sun and 8.45% by Lucan Investment), 33.27% by Huatuo, a company wholly owned by Shinva, and 6.95% by NHPE (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme).

The Shinva Group is primarily engaged in the research and development, manufacturing and sale of medical equipment and pharmaceutical equipment as well as the provision of healthcare services. As at the Latest Practicable Date and upon Listing, the Shinva Group has been and will continue to be engaged in certain Excluded Business as further set out in the section headed "Relationship with Our Controlling Shareholders" in this prospectus. However, our Directors consider that the Shinva Group's continued interest in the Excluded Business will not affect the delineation of the business of our Group from that of the Shinva Group and that there will not be any competition between our Group and the Shinva Group upon Listing, having considered: (i) the delineation of business between our Group and the Shinva Group in terms of business models, nature of product types and/or geographic segregation in connection with the Excluded Business; (ii) our management, operational and financial independence from the Shinva Group, (iii) the Shinva Group Deed of Non-competition entered into between us and the Shinva Group; and (iv) the corporate governance measures that we will adopt to manage any potential conflict of interest. For these reasons, our Directors are of the view that we are capable of carrying out our business independently of the Shinva Group after the Listing. For more details, please refer to the section headed "Relationship with Our Controlling Shareholders" in this prospectus.

ESOP

We adopted the ESOP on 29 December 2017, which was further amended on 27 March 2019. Pursuant to the ESOP, the overall limit on the number of underlying Shares is 32,507,627 Shares, representing approximately 2.44% of the issued Shares immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme). Assuming all options under the ESOP had been exercised in full but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, this will have a dilutive effect on (i) the shareholdings of the Shareholders of approximately 2.38%, and (ii) earnings per Share of approximately 2.38%. As at the Latest Practicable Date, no option under the ESOP has been granted, and the Board intends to grant all of the options under the ESOP prior to the Listing. No further option will be granted under the ESOP upon Listing. For details, please refer to the section headed "Statutory and General Information – Other information – 15. Share Option Schemes – B. ESOP" in Appendix V to this prospectus.

RISK FACTORS

Our Directors believe that there are certain risks involved in our operations, many of which are beyond our control. A detailed discussion of the risk factors that we believe are particularly relevant to us is set out in the section headed "Risk Factors" in this prospectus. Set out below are some of the major risks that may materially and adversely affect us:

- We are heavily reliant on our relationship with Sysmex;
- Our business operation, financial results and our cashflow may be adversely affected if the "two invoice system" is fully implemented in the IVD industry;
- We are reliant on the distributorship arrangements with our non-Sysmex suppliers and we do not have long-term distribution arrangements with them;
- Our business operation depends significantly on the recurring revenue generated from the sales of our IVD reagents; and
- Goodwill impairment may negatively affect our reported results of operations.

REGULATORY COMPLIANCE

We have historically had incidents of non-compliance with PRC laws and regulations. We do not expect that any of these matters will result in a material adverse effect on our business, financial or trading position and results of operations. Please see the section headed "Business – Regulatory compliance and legal proceedings" in this prospectus for details.

SUMMARY HISTORICAL FINANCIAL INFORMATION

As the Acquisition was completed after 31 December 2018, the financial performance of Vastec during the Track Record Period had not been consolidated into those of our Original Group. The tables below present the summaries of selected financial information of our Original Group, and those of Vastec, during the Track Record Period, which are derived from, and should be read in conjunction with our financial information, including the notes thereto, set out in the accountants' reports in Appendices I and II to this prospectus.

Summary of statements of profit or loss and other comprehensive income of our Original Group

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Revenue	290,441	338,268	413,635
Cost of sales	(206,543)	(230,054)	(296,964)
Gross profit	83,898	108,214	116,671
Profit for the year	57,166	112,596	99,508

The increases in revenue were primarily due to the organic growth of our Original Group's distribution business, which represented a majority of its revenue stream. Our Original Group's net profit increased from approximately RMB57.2 million for the year ended 31 December 2016 to approximately RMB112.6 million for the year ended 31 December 2017, and it decreased to approximately RMB99.5 million for the year ended 31 December 2018. The increase in our Original Group's net profit for the year ended 31 December 2017 was mainly due to the increased revenue and gross profit as a result of the continuous expansion. The decrease in our Original Group's net profit for year ended 31 December 2018 was mainly due to the recognition of listing expenses of approximately RMB12.5 million for the year.

Summary of statements of financial position of our Original Group

	As at 31 December			As at 30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
				***(Unaudited)*[(1)]**
Current assets	277,998	321,601	366,567	1,514,980
Current liabilities	(63,642)	(68,261)	(69,762)	(1,117,806)
Net current assets	214,356	253,340	296,805	397,174

Note:

(1) As the Acquisition was completed on 25 January 2019, the current assets and liabilities of our Group as at 30 April 2019 were calculated on a consolidated basis.

Summary of cash flows information of our Original Group

The following table sets out the cash flows of our Original Group for the periods indicated:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cash flows generated from operating activities before changes in working capital	42,473	71,603	57,317
Net cash flows (used in)/from operating activities	(23,519)	19,717	1,959
Net cash flows (used in)/from investing activities	(49,891)	(57,680)	29,970
Net cash flows from/(used in) financing activities	204,397	(18,224)	59
Net increase/(decrease) in cash and cash equivalents	130,987	(56,187)	31,988
Cash and cash equivalents at the beginning of the year	12,621	141,374	79,307
Effect of foreign exchange rate changes, net	(2,234)	(5,880)	4,069
Cash and cash equivalents at the end of the year	141,374	79,307	115,364

For the years ended 31 December 2016, 2017 and 2018, our Original Group generated operating cash flows before changes in working capital of approximately RMB42.5 million, RMB71.6 million and RMB57.3 million, respectively. For the year ended 31 December 2016, our Original Group had net cash used in operating activities of approximately RMB23.5 million. This was primarily contributed by (i) an adjustment for share of profits of associates as an accounting treatment to eliminate the profit contribution from our Original Group's then associated company, Vastec, as a result of our Original Group's acquisition of 40% equity interests in Vastec HK in May 2016; (ii) a decrease in trade payables primarily due to the reduction of the outstanding trade payables to Vastec; and (iii) an increase in inventories primarily due to the increased inventory stock-up of Sysmex' urinalysis products in order to increase the likelihood of securing the distribution rights and be appointed as a regional distributor of Sysmex' urinalysis products in Shanghai.

Key financial ratios of our Original Group

	For the year ended 31 December		
	2016	2017	2018
	%	%	%
Gross profit margin	28.9	32.0	28.2
Net profit margin	19.7	33.3	24.1
Return on assets	11.7	12.8	10.1
Return on equity	14.6	14.0	11.6

	As at 31 December		
	2016	2017	2018
	Times	Times	Times
Current ratio	4.4	4.7	5.3
Quick ratio	3.8	4.0	4.5
Debt to equity ratio	–	–	–

For more details of the financial information of our Original Group, please refer to the section headed "Financial Information of our Original Group" in this prospectus.

Summary of statements of profit or loss and other comprehensive income of Vastec

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Revenue	1,380,870	1,595,626	1,852,514
Cost of sales	(1,050,586)	(1,235,209)	(1,484,574)
Gross profit	330,284	360,417	367,940
Profit for the year	138,824	174,080	192,161

Vastec only became our wholly-owned subsidiary after the completion of the Acquisition in January 2019. The changes in revenue were primarily due to the increase in revenue generated from the distribution business.

Summary of statements of financial position of Vastec

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Current assets	890,265	1,069,239	1,085,185
Current liabilities	(397,538)	(424,384)	(274,483)
Net current assets	492,727	644,855	810,702

Vastec only became our wholly-owned subsidiary after the completion of the Acquisition in January 2019.

Summary of cash flows information of Vastec

Vastec only became our wholly-owned subsidiary after the completion of the Acquisition in January 2019. The following table sets out Vastec's cash flows for the periods indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Cash flows generated from operating activities before changes in working capital	208,717	255,952	277,575
Net cash flows (used in)/from operating activities	(13,426)	68,514	66,733
Net cash flows from investing activities	3,063	9,028	9,059
Net cash flows from/(used in) financing activities	27,855	(12,115)	(133,568)
Net increase/(decrease) in cash and cash equivalents	17,492	65,427	(57,776)
Cash and cash equivalents at the beginning of the year	138,194	156,790	220,802
Effect of foreign exchange rate changes, net	1,104	(1,415)	652
Cash and cash equivalents at the end of the year	156,790	220,802	163,678

Vastec only became our wholly-owned subsidiary after the completion of the Acquisition in January 2019. For the years ended 31 December 2016, 2017 and 2018, Vastec generated cash flows from operating activities before changes in working capital of approximately RMB208.7 million, RMB256.0 million and RMB277.6 million, respectively. For the year ended 31 December 2016, Vastec had net cash used in operating activities of approximately RMB13.4 million, which was primarily contributed by (i) an increase in inventories to meet customers' demands; and (ii) an increase in prepayment for the procurement of Sysmex' products.

Key financial ratios of Vastec

	For the year ended 31 December		
	2016	2017	2018
	%	%	%
Gross profit margin	23.9	22.6	19.9
Net profit margin	10.1	10.9	10.4
Return on assets	17.9	17.3	17.5
Return on equity	31.6	30.8	26.9

	As at 31 December		
	2016	2017	2018
	Times	Times	Times
Current ratio	2.2	2.5	4.0
Quick ratio	1.2	1.4	2.0
Debt to equity ratio	0.3	0.2	0.1

Vastec only became our wholly-owned subsidiary after the completion of the Acquisition in January 2019. For more details of the financial information of Vastec, please refer to the section headed "Financial Information of Vastec" in this prospectus.

Summary of unaudited pro forma consolidated statement of profit or loss of the enlarged group for the year ended 31 December 2018

	The Group	The Vastec Group	Sub-Total	Elimination of intercompany results	Pro forma Enlarged Group before one-off adjustment	One off adjustment related to Acquisition of Vastec Group	Other pro forma adjustment	Pro forma Enlarged Group after one-off adjustment
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	413,635	1,852,514	2,266,149	(118,302)	2,147,847	–	–	2,147,847
Cost of sales	(296,964)	(1,484,574)	(1,781,538)	118,709	(1,662,829)	–	–	(1,662,829)
Gross profit	116,671	367,940	484,611	–	485,018	–	–	485,018
Profit for the year	99,508	192,161	291,669	–	214,849	–	–	499,931

Summary of unaudited pro forma consolidated statement of financial position of the enlarged group as at 31 December 2018

	The Group	The Vastec Group	Sub-Total	Elimination of intercompany receivables and payables	Special dividend	Fair value adjustments of Vastec Group	Acquisition of Vastec Group	Pro forma Enlarged Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	366,567	1,085,185	1,451,752	–	–	–	–	1,480,529
Current liabilities	69,762	274,483	344,245	–	–	–	–	952,172
Net current assets	296,805	810,702	1,107,507	–	–	–	–	528,357

For detailed information, please see the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" as set out in Appendix IIIB to this prospectus.

RECENT DEVELOPMENT

Pre-IPO Investment

We have arranged two phases of the Pre-IPO Investments with the Pre-IPO Investors, NHPE (an investment holding company incorporated with limited liability under the laws of the Cayman Islands on 21 January 2016 and beneficially owned by North Haven Private Equity Asia IV, L.P., a Cayman Islands exempted limited partnership managed by the private equity arm of Morgan Stanley) and Huatuo (is a company incorporated under the laws of Hong Kong on 28 March 2011 and wholly owned by Shinva. Huatuo is principally engaged in research and development, import and export trade, information services and investment).

First phase: On 18 May 2016, the Pre-IPO Investors, our Company and the Original Shareholders entered into Agreements of the following effects: (i) NHPE to invest in our Company by way of subscription for 7,835,949 new Shares, representing approximately 15% of the then enlarged issued share capital of our Company; and (ii) Huatuo to invest in our Company by way of a combined subscription for 2,592,306 new Shares and a combined purchase of 2,592,308 old Shares from the Original Shareholders, representing an aggregate of approximately 9.92% of the then enlarged issued share capital of our Company.

Second phase: On 25 January 2019, our Company and Huatuo entered into an agreement, pursuant to which our Company agreed to acquire 6,000 shares of Vastec HK from Huatuo, representing 60% of the issued share capital of Vastec HK, at a consideration of RMB1,233,915,840, which was settled: (i) as to RMB822,610,560 in the form of equity by the allotment and issue of 32,339,139 new Shares by our Company on 25 January 2019, representing approximately 38.24% of the then enlarged issued share capital of our Company; and (ii) as to RMB411,305,280 in the form of a promissory note in the principal amount of RMB411,305,280 issued in favour of Huatuo by our Company on 25 January 2019, which will be redeemed by our Company in cash in accordance with the redemption schedule as agreed upon in the Vastec HK Share Purchase Agreement, unless upon the occurence of certain events specified therein, particulars of which are further set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors – Phase 2: Pre-IPO Investment in 2019 with Huatuo" in this prospectus.

The Acquisition of Vastec HK

With a view to further strengthening our distribution capability and sales network and integrating our distribution business value chain and mitigating the potential impact from the national implementation of the "two invoice system", our Company and Huatuo entered into the Vastec HK Share Purchase Agreement, pursuant to which our Company agreed to acquire 6,000 shares of Vastec HK from Huatuo, representing 60% of the issued share capital of Vastec HK, at a consideration of RMB1,233,915,840, which was settled: (i) as to RMB822,610,560 in the form of equity by the allotment and issue of 32,339,139 new Shares by our Company on 25 January 2019, representing approximately 38.24% of the then enlarged issue share capital of our Company; and (ii) as to RMB411,305,280 in the form of a promissory note in the principal amount of RMB411,305,280 issued in favour of Huatuo by our Company on 25 January 2019, which will be redeemed by our Company in cash in accordance with the redemption schedule as agreed upon in the Vastec HK Share Purchase Agreement, unless upon the occurrence of certain events specified therein. The Acquisition was completed on 25 January 2019 as part of phase 2 of the Pre-IPO Investments, and Vastec HK has since then become our wholly-owned subsidiary. See the sections headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments – 2. Summary of material terms of the Pre-IPO Investments" and "History, Reorganisation and Corporate Structure – Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors – Phase 2: Pre-IPO Investment in 2019 with Huatuo" in this prospectus for details on the Acquisition.

During the Track Record Period, we recorded goodwill in connection with our business combinations and acquisitions, and did not record any impairment of such goodwill during the same period. As a result of the completion of the Acquisition in January 2019, we will also record a significant amount of goodwill. Based on the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" as set out in Appendix IIIB to this prospectus, the enlarged group would have recorded goodwill amounted to approximately RMB1.09 billion and would have recorded intangible assets of RMB416,801,000 as at 31 December 2018 from the Acquisition. Goodwill is initially measured at cost, and tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators which could potentially be caused by our failure to successfully integrate the operations of Vastec with ourother operations or if Vastec cannot generate the financial results we expected. In accordance with the redemption schedule as agreed upon in the Vastec HK Share Purchase Agreement, RMB5,000,000 of principal amount outstanding under the aforesaid promissory note of RMB411,305,280 has been repaid as at Latest Practicable Date. Accordingly, RMB406,305,280 remained outstanding under the aforesaid promissory note. We intend to apply approximately 44.8% of the net proceeds of the Global Offering, or HK$461.7 million, to repay the outstanding amount of RMB406,305,280 under and fully redeem the promissory note issued in favour of Huatuo by our Company on 25 January 2019, being part of the consideration for the Acquisition. Specifically, the outstanding amount of RMB406,305,280 under the promissory note will be repaid 30 days from the Listing and when the net proceeds of the Global Offering have been received and are available to fully redeem the promissory note, unless upon the occurrence of certain events specified in the Shareholders' Agreement. We shall make an irrevocable instruction to the Underwriters to apply approximately 44.8% of the net proceeds of the Global Offering to repay the outstanding amount of RMB406,305,280 under and fully redeem the said promissory note issued in favour of Huatuo by our Company.

Distribution agreement between Vastec and Sysmex

On 1 April 2019, Vastec and Sysmex entered into a new distribution agreement which extended the term from one year to three years until 31 March 2022. The new distribution agreement may be renewed upon the expiration date by mutual consent of Vastec and Sysmex. Our Directors are of the view that this newly signed agreement will further stabilise the relationship between Vastec and Sysmex.

Our Controlling Shareholders

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), our Group will have two groups of Controlling Shareholders, being: (i) the Founding Group comprising Mr. Ho, Mr. Leung and Mr. Lin and their respective wholly-owned investment holding companies, namely, KS&KL, King Sun and Lucan Investment; and (ii) Shinva and Huatuo, each of which will continue to own and control approximately 34.78% and 33.27% of the issued share capital of our Company, respectively.

Special Dividend prior to the Listing

Pursuant to the Shareholders' Agreement and as part of phase 2 of the Pre-IPO Investments, (i) Vastec HK declared dividend in the amount of RMB400,000,000 to each of our Company and Huatuo proportional to their respective shareholding interest in Vastec HK prior to completion of the Acquisition, being RMB160,000,000 payable to our Company and RMB240,000,000 payable to Huatuo, and (ii) our Company declared dividend in the amount of RMB229,026,300 to the existing Shareholders, namely, King Sun, KS&KL, Lucan Investment, NHPE and Huatuo, proportional to their respective shareholding interest in our Company prior to completion of the Acquisition, being 28.42%, 28.42%, 18.24%, 15.00% and 9.92%, respectively. Such dividend that will flow out of our Group after completion of the Acquisition (the "**Special Dividend**") amounts to RMB469,026,300, comprising: (i) the dividend payable by Vastec HK to Huatuo in the amount of RMB240,000,000; and (ii) the dividend payable by our Company to the existing Shareholders in the amount of RMB229,026,300. A part of the Special Dividend will be paid from approximately 29.8% of the net proceeds of the Global Offering, or HK$306.8 million, whereas the outstanding amount of the Special Dividend will be paid with our own capital resources (including our existing cash resources, as well as available and future banking facilities) in instalments according to the stipulated timeline, unless upon the occurrence of certain events specified in the

Shareholders' Agreement. See the section headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments – 2. Summary of material terms of the Pre-IPO Investments" in this prospectus for details. We shall make an irrevocable instruction to the Underwriters to apply approximately 29.8% of the net proceeds of the Global Offering to settle part of the Special Dividend.

No material adverse change

Our Directors confirm that, up to the date of this prospectus and except as otherwise disclosed in this prospectus, there had been no material adverse change in our financial or trading position since 31 December 2018 and there is no event since 31 December 2018 which would materially affect the information shown in the accountants' reports in Appendices I and II to this prospectus.

TWO INVOICE SYSTEM

As one of the measures for the PRC healthcare system reform, the State Council together with seven other central government departments (including the NHFPC and the State Administration of Food and Drug) jointly issued the Opinions on Implementation of Two Invoice System in Drug Procurement among Public Medical Institutions (for Trial Implementation) on 26 December 2016. On 24 January 2017, the State Council issued Several Opinions on Further Reform and Improvement of Drug Production, Circulation and Use Policies. NHFPC together with five other central government departments jointly issued the Circular on Consolidating the Achievements of Eliminating Compensational Drug Sales and Continuously Deepening the Comprehensive Reform of Public Hospitals on 5 March 2018. The aim of the "two invoice system" is to only allow a maximum of two invoices to be issued in the value chain with the first invoice to be issued by manufacturers to distributors and the second one to be issued by distributors to hospitals and healthcare institutions. Please refer to the section headed "Regulatory Overview – The two invoice system" in this prospectus for more details on the implementation of the "two invoice system" in the PRC.

Except for our self-branded products and our provision of maintenance services, we source IVD products either directly from manufacturers or from general distributors of international manufacturers. To illustrate the potential impact of the "two invoice system", our current business operation can be categorised into five different scenarios. Please refer to the section headed "Business – two invoice system" in this prospectus for more details.

In the event that the "two invoice system" is fully implemented, only Scenario B and Scenario C will be affected and we may have to discontinue the sales under these two scenarios. During the Track Record Period, our Original Group's sales generated under Scenario B and Scenario C were approximately RMB177.3 million, RMB183.8 million and RMB252.2 million, respectively, representing approximately 61.0%, 54.3% and 61.0% of our Original Group's total revenue for the same periods, respectively. During the Track Record Period, Vastec's sales generated under Scenario B and Scenario C were RMB98.9 million, RMB85.1 million and approximately RMB96.9 million, respectively, representing approximately 7.2%, 5.3% and 5.2% of Vastec's total revenue for the same periods, respectively. Based on the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" as set out in Appendix IIIB to this prospectus, our Original Group and Vastec's aggregate revenue generated under Scenario B and Scenario C (without taking into consideration of any intercompany eliminations) accounted for approximately 16.3% of the total revenue of the enlarged group (after elimination of intercompany results) for the year ended 31 December 2018. In the event that the "two invoice system" is fully implemented, the enlarged group's profit going forward may be adversely affected.

DIVIDEND

Our Original Group declared dividends of approximately RMB26.1 million, approximately RMB8.2 million and nil to the then respective shareholders for the years ended 31 December 2016, 2017 and 2018, respectively. All these dividends had been fully settled as of 31 December 2018, which were paid using internal resources of our Original Group. Vastec declared dividends of approximately RMB34.9 million, approximately RMB28.1 million and RMB36.0 million to the then respective shareholders for the years ended 31 December 2016, 2017 and 2018, respectively. All the dividends declared for the year ended 31 December 2016 had been fully settled as of 31 December 2018, which were paid using internal resources of Vastec. All the dividend declared for the year ended 31 December 2017 had been fully settled as of 31 December 2018, which were paid using internal resources of Vastec.

THE GLOBAL OFFERING

The Global Offering consists of:

- the offer of initially 33,340,000 Hong Kong Offer Shares for subscription by the public in Hong Kong, referred to in this prospectus as the Hong Kong Public Offering; and
- the offer of initially 300,060,000 International Offer Shares outside the United States in offshore transactions in reliance on Regulation S, including to professional and institutional investors in Hong Kong, referred to in this prospectus as the International Offering.

KEY OFFERING STATISTICS(1)

	Based on an Offer Price of HK\$3.07 per Offer Share	Based on an Offer Price of HK\$3.68 per Offer Share
Market capitalisation of our Shares(2)	HK\$4,093.5 million	HK\$4,906.9 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(3)	HK\$1.09	HK\$1.24

Notes:

(1) All statistics in this table assume the Over-allotment Option is not exercised.

(2) The calculation of market capitalisation is based on 333,400,000 Shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised at all).

(3) The pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the section headed "Unaudited pro forma statement of adjusted consolidated net tangible assets" in Appendix IIIA to this prospectus and on the basis of 333,400,000 Shares issued at the respective indicative Offer Prices of HK\$3.07 per Offer Share and HK\$3.68 per Offer Share following the Global Offering.

LISTING EXPENSES

For the year ended 31 December 2018, we incurred listing expenses of approximately RMB12.5 million, which was charged to our consolidated statements of profit or loss and other comprehensive income for the same period. We expect to further incur listing expenses (including underwriting commissions) of approximately RMB71.9 million (based on mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable) by the completion of the Global Offering, of which an estimated amount of approximately RMB22.6 million will be charged to our consolidated income statements after the Track Record Period and an estimated amount of approximately RMB49.3 million will be debited to share premium upon Listing. We do not expect these listing expenses to have a material impact on our business and results of operations for the year ended 31 December 2019.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$3.38 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$3.07 to HK\$3.68 per Offer Share) will be approximately HK\$1,030.9 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately 44.8%, or HK\$461.7 million will be used to settle the cash consideration for the acquisition of 60% equity interest in Vastec. Please see the section headed "History, Reorganisation and Corporate Structure – Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors – Phase 2: Pre-IPO Investment in 2019 with Huatuo" for more details;
- approximately 29.8%, or HK\$306.8 million will be used to pay part of the dividends to the existing shareholders of the Company and Vastec pursuant to the Acquisition. Please see the section headed "History, Reorganisation and Corporate Structure – Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors – Phase 2: Pre-IPO Investment in 2019 with Huatuo" for more details; and

- approximately 9.9%, or HK$102.3 million will be used to expand our customer base under our distribution business, in particular to establish relationships with six hospitals and healthcare institutions to provide solution services by the end of 2021, and approximately HK$17.1 million will be used to engage with each of the hospitals and healthcare institutions;
- approximately 5.1%, or HK$52.3 million will be used to continue the research and development of our self-branded products;
- approximately 3.7%, or HK$38.6 million will be used to expand our distribution business and improve our distribution value chain; and
- approximately 6.7%, or HK$69.2 million will be used for working capital and general corporate purposes.

Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further information on our use of net proceeds of the Global Offering.

YOU SHOULD ONLY RELY ON THE INFORMATION INCLUDED IN THIS PROSPECTUS AND DOCUMENTS ISSUED BY OUR COMPANY TO MAKE YOUR INVESTMENT DECISION AND SHOULD NOT RELY ON ANY PARTICULAR STATEMENTS IN OTHER PUBLISHED ANNOUNCEMENTS, NEWS REPORTS AND/OR RESEARCH ANALYST REPORTS RELATING TO OUR CONTROLLING SHAREHOLDERS, SHINVA, OUR GROUP AND THE GLOBAL OFFERING.

Prior to the Listing

Prior to the publication of this prospectus, there have been, and there may be subsequent to the date of this prospectus but prior to the Listing, announcements, press and media coverage and research analyst reports regarding Shinva and its subsidiaries and associates (including our Group) and the Global Offering, which have also included or will include certain historical and forward-looking financial information under PRC GAAP about our Group and information about business operations and strategic development concerning our Group that do not appear in this prospectus. Forward-looking financial or business information contained in such published announcements, news reports and research analyst reports should not, in any way, be interpreted as profit projection or business forecast of our Group.

Shinva's shares are listed on the Shanghai Stock Exchange (stock code: 600587) and is therefore subject to the SSE Stock Listing Rules and other relevant regulations. Shinva publishes its consolidated annual, interim and quarterly financial information pursuant to the SSE Stock Listing Rules and other relevant regulations on a periodic basis, which may include financial information of our Group. Shinva may also from time to time be required to disclose information relating to certain financial information of our Group pursuant to the SSE Stock Listing Rules and other relevant regulations. Specifically, on 24 January 2019, in response to the Shanghai Stock Exchange's letter dated 11 January 2019 in connection with the Acquisition, Shinva was asked to disclose, among others, Vastec (Shanghai)'s and Dacheng (Shanghai)'s respective expected operating revenue, operating cost, gross profit margin and operating profit margin for the year ending 31 December 2023, as part of the valuation process and basis of value for the Acquisition. Please refer to the section headed "Relationship with our Controlling Shareholders – Financial reporting and disclosure by Shinva" in this prospectus for further details. To the best knowledge of the Directors, other than the aforesaid and any disclosure which may be required to be published by Shinva pursuant to the SSE Stock Listing Rules and other relevant regulations, Shinva has no current plan to publish any other forward-looking financial information that contains information about our Group prior to the Listing.

The disclosure of any such information was not prepared by our Company. Our Company does not accept any responsibility for any such announcements, press and media coverage or research analyst coverage or the accuracy or completeness of any such information. Our Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. If any such information appearing in publications other than this prospectus and the documents issued by our Company is inconsistent or conflicts with the information in this prospectus, our Company disclaims any and all responsibility and liability in connection therewith.

After the Listing

There may continue to be publication of announcements, press and media coverage and research analyst reports regarding Shinva and our Group after the Listing. Shinva may continue to publish certain historical and forward-looking financial information about our Group. In particular, Shinva publishes its consolidated annual, interim and quarterly financial information pursuant to the SSE Stock Listing Rules and other relevant regulations on a periodic basis, which may include financial information of our Group. Shinva prepares its financial information under PRC GAAP on a consolidated basis pursuant to the requirements of the SSE Stock Listing Rules and other relevant regulations, whereas our consolidated financial information is prepared in accordance with IFRSs. Furthermore, Shinva is listed on the Shanghai Stock Exchange, and the relevant rules and guidelines governing forward-looking financial information differ from those of the Listing Rules and may allow for the publication of information that may not otherwise be in strict compliance with the Listing Rules. Accordingly, any such financial results and estimates do not necessarily contain financial information that is accurate and precise with respect to our Group as generally required or intended under the Listing Rules or had such information been prepared by us. Investors are therefore advised not to place any reliance on any such information when making any investment decisions.

You should only rely on the information included in this prospectus and documents issued by our Company before you make your investment decision and should not rely on any other information.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"AAICHINA"	AAICHINA Development Co., Limited, a company incorporated with limited liability under the laws of BVI on 28 January 2005, holding 52% of shares in Hunan Ankai Jiade
"Acquisition"	the acquisition of the 60% share capital in Vastec HK by our Company in January 2019, details of which are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors – Phase 2: Pre-IPO Investment in 2019 with Huatuo" in this prospectus
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Alifax"	Alifax Diagnostics Co., Limited, a company established with limited liability under the PRC laws on 29 May 2015 and owned as to 49% by Vastec HK and 51% by ALIFAX S.R.L.
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on 21 June 2019 and effective upon Listing, as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"BOCI Asia Limited"	BOCI Asia Limited, a licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)

"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sums standing to be the credit of the share premium account of our Company as referred to in the section headed "Statutory and General Information – Information about Our Company – 3. Resolutions in writing of our Shareholders passed on 21 June 2019" in Appendix V to this prospectus
"Cayman Islands Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or sole individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan

"Common Control Confirmation"	the common control confirmation executed by Mr. Ho, Mr. Leung and Mr. Lin on 27 May 2016, whereby they confirmed the existence of their common control arrangement, a summary of which is set out in the section headed "History, Reorganisation and Corporate Structure – Corporate development – Common control confirmation" in this prospectus
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Company" or "our Company"	IVD Medical Holding Limited (華檢醫療控股有限公司) (formerly known as IVD Holding Limited), the holding company of our Group and the listing vehicle for the Listing, which is an exempted company with limited liability incorporated on 15 January 2016 in the Cayman Islands and the shares of which are to be listed on the Main Board of the Stock Exchange
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and, unless the context requires otherwise, collectively refers to (i) the Founding Group comprising Mr. Ho, Mr. Leung and Mr. Lin and their respective wholly-owned investment holding companies, namely KS&KL, King Sun and Lucan Investment, and (ii) Shinva and Huatuo
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	the China Securities Regulatory Commission (中華人民共和國證券監督管理委員會)
"Dacheng" or "Dacheng (Shanghai)"	Dacheng Medical Equipments (Shanghai) Co., Ltd., (達承醫療設備(上海)有限公司), a company established with limited liability under the PRC laws on 21 February 2011 and wholly owned by IVD International

"Deed of Indemnity"	the deed of indemnity dated 26 June 2019 executed by Ho Kuk Sing, Leung King Sun, Lin Xianya, KS&KL Investment Co. Limited, King Sun Limited, Lucan Investment Limited, Huatuo International Development Co., Limited and Shinva Medical Instrument Co., Ltd in favour of our Company (for itself and as trustee for the benefit of each of its subsidiaries) on the terms as more particularly set out in the section headed "Statutory and General Information – Other Information – 16. Estate duty, tax and other indemnity" in Appendix V to this prospectus
"Deeds of Non-competition"	collectively refers to the Founding Group Deed of Non-competition and the Shinva Group Deed of Non-competition
"Digital China"	Digital Images Diagnostic Medical Equipment (Shanghai) Co. Ltd (華圖醫療器械(上海)有限公司), a company established with limited liability under the PRC laws on 3 September 2009 and wholly owned by Digital HK
"Digital HK"	Digital Images Diagnostic (China) Limited (數圖診斷(中國)有限公司), a company incorporated with limited liability under the laws of Hong Kong on 5 June 2009 and wholly owned by IVD China
"Director(s)"	the director(s) of our Company
"EIT Law"	the Enterprise Income Tax Law (中華人民共和國企業所得稅法) promulgated by the National People's Congress on 16 March 2007 and became effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018
"ESOP"	the employees' pre-IPO share option scheme of our Company as approved by the Board on 29 December 2017 and further amended on 27 March 2019, the principal terms of which are summarised in the section headed "Statutory and General Information – Other Information – 15. Share Option Schemes – B. ESOP" in Appendix V to this prospectus
"EUR"	the lawful currency of the European Union
"Founding Group"	collectively refers to Mr. Ho, Mr. Leung and Mr. Lin and their respective wholly-owned investment holding companies, namely KS&KL, King Sun and Lucan Investment

"Founding Group Deed of Non-competition"	the deed of non-competition dated 26 June 2019 executed by KS&KL Investment Co. Limited, King Sun Limited, Lucan Investment Limited, Ho Kuk Sing, Leung King Sun and Lin Xianya in favour of our Company, particulars of which are set out in the section headed "Relationship with Our Controlling Shareholders – Deeds of Non-competition by Our Controlling Shareholders – The Founding Group Deed of Non-competition" in this prospectus
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), an independent consulting firm that provides market research and analysis
"Frost & Sullivan Report"	an industry report prepared by Frost & Sullivan on the China IVD market, which was commissioned by the Company
"GAC"	the General Administration of Customs of the PRC (中華人民共和國海關總署)
"General Mandate"	the general mandate granted to our Directors by our Shareholders in relation to the issue of new Shares, further information of which is set forth in the section headed "Statutory and General Information – Information about Our Company – 3. Resolutions in writing of our Shareholders passed on 21 June 2019" in Appendix V to this prospectus
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "we" or "us"	our Company and our subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of China
"Hong Kong dollars" and "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 33,340,000 Offer Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 28 June 2019 relating to the Hong Kong Public Offering entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters
"Huatuo"	Huatuo International Development Co., Limited (華佗國際發展有限公司), a company incorporated under the laws of Hong Kong on 28 March 2011 and wholly owned by Shinva, and also a Controlling Shareholder
"Huatuo Share Purchase Agreement"	the share purchase agreement entered into by and among Mr. Ho, Mr. Leung, King Sun, KS&KL and Huatuo on 18 May 2016 on the terms as more particularly set out in the section headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments" in this prospectus

"Huatuo Subscription Agreement"	the subscription agreement entered into by and among our Company, Mr. Ho, Mr. Leung, Mr. Lin and Huatuo on 18 May 2016 on the terms as more particularly set out in the section headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments" in this prospectus
"Hunan Ankai Jiade"	Hunan Ankai Jiade Biotech Co., Ltd.* (湖南安凱嘉德生物醫藥有限公司) (formerly known as Hunan Brahms Biotech Co., Ltd. (湖南布拉姆斯生物醫藥有限公司)), a company established with limited liability under the PRC laws on 1 August 2012 and owned as to 48% by IVD (Shanghai) and 52% by AAICHINA
"independent third party(ies)"	any individual(s) or entity(ies) who, as far as our Directors are aware, is/are not connected persons of our Company within the meaning ascribed to it in the Listing Rules
"International Offer Shares"	the 300,060,000 Offer Shares being initially offered by our Company pursuant to the International Offering, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in accordance with Regulation S under the U.S. Securities Act, as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Underwriters"	the underwriter(s) of the International Offering and parties to the International Underwriting Agreement as described in the section headed "Underwriting – International Offering" in this prospectus
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering, which is expected to be entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Global Coordinator, NHPE and the International Underwriters on or around 5 July 2019

"Joint Bookrunners" and "Joint Lead Managers"	BOCI Asia Limited, AMTD Global Markets Limited, China Industrial Securities International Capital Limited and Haitong International Securities Company Limited
"IVD China"	IVD China Limited (艾維德中國有限公司), a company established with limited liability under the laws of Hong Kong on 19 October 2009 and owned as to 75% by our Company and 25% by other individuals
"IVD International"	IVD International Limited (中華檢驗國際有限公司), a company established with limited liability under the laws of Hong Kong on 29 January 2016 and wholly owned by our Company
"IVD (Shanghai)"	IVD Medical Equipments (Shanghai) Co., Ltd. (艾維德醫療器械(上海)有限公司), a company established with limited liability under the PRC laws on 6 July 2010 and wholly owned by IVD China
"JPY"	Japanese Yen, the lawful currency of Japan
"King Sun"	King Sun Limited, a company incorporated with limited liability in the Republic of Seychelles on 18 January 2016 and wholly owned by Mr. Leung
"KS&KL"	KS&KL Investment Co. Limited, a company incorporated with limited liability in the Republic of Seychelles on 1 February 2016 and wholly owned by Mr. Ho
"Latest Practicable Date"	20 June 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about 12 July 2019 on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Lucan Investment"	Lucan Investment Limited, a company incorporated with limited liability in the Republic of Seychelles on 6 January 2016 and wholly owned by Mr. Lin
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company, adopted on 21 June 2019 with immediate effect
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部), or where the context so requires its counterparts at the local levels
"MOH"	the Ministry of Health of the PRC (中華人民共和國衛生部)
"Mr. Ho"	Mr. Ho Kuk Sing (何鞠誠), the Chairman, the Chief Executive Officer, an executive Director and a Controlling Shareholder
"Mr. Leung"	Mr. Leung King Sun (梁景新), the Chief Operating Officer, an executive Director and a Controlling Shareholder
"Mr. Lin"	Mr. Lin Xianya (林賢雅), the General Manager, an executive Director and a Controlling Shareholder
"NBS"	the National Bureau of Statistics of the PRC (國家統計局)
"NHFPC"	the National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會)

"NHPE"	North Haven Private Equity Asia IVD Company Limited, one of the Pre-IPO Investors, and an exempted company incorporated with limited liability under the laws of the Cayman Islands on 21 January 2016 and wholly owned by North Haven Private Equity Asia IV, L.P. Please refer to the section headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments" in this prospectus for more details
"NHPE Subscription Agreement"	the subscription agreement entered into by and among our Company, Mr. Ho, Mr. Leung, Mr. Lin and NHPE on 18 May 2016 on the terms as more particularly set out in the section headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments" in this prospectus
"NMPA"	National Medical Products Administration, (國家藥品監督管理局) formerly known as China Food and Drug Administration (CFDA)
"OECD"	the Organisation for Economic Co-operation and Development
"Offer Price"	the final price per Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of no more than HK$3.68 and expected to be not less than HK$3.07, at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed "Structure and Conditions of the Global Offering – Determining the Offer Price" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"Original Group" or "our Original Group"	our Company together with its subsidiaries comprising Dacheng (Shanghai), IVD China, IVD International, Suzhou DiagVita, Digital HK and Digital China, prior to the Acquisition
"Original Shareholder(s)"	Mr. Ho, Mr. Leung, Mr. Lin, King Sun, KS&KL, and Lucan Investment

"Over-allotment Option"	the option to be granted by our Company and NHPE to the Sole Global Coordinator on behalf of the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters pursuant to the International Underwriting Agreement, pursuant to which our Company and NHPE may be required to allot, issue or sell up to an aggregate of 50,010,000 additional Shares (for which our Company may be required to allot and issue up to 30,010,000 Shares and NHPE may be required to sell up to 20,000,000 Shares) at the Offer Price, representing 15% of the total number of Offer Shares initially available under the Global Offering, to cover, among other things, over-allocation in the International Offering, if any, further details of which are described in the section headed "Structure and Conditions of the Global Offering – The Over-allotment Option" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Legal Adviser"	Jingtian & Gongcheng, the legal adviser to our Company as to the PRC laws
"Pre-IPO Investment(s)"	the phase 1 Pre-IPO investments in our Group made by the Pre-IPO Investors and completed on 6 July 2016 pursuant to the Huatuo Share Purchase Agreement, Huatuo Subscription Agreement, Shareholders' Agreement and NHPE Subscription Agreement and the phase 2 Pre-IPO investments in our Group made by Huatuo and completed on 25 January 2019 pursuant to the Vastec HK Share Purchase Agreement and the Shareholders' Agreement on the terms as more particularly set out in the section headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments" in this prospectus
"Pre-IPO Investor(s)"	NHPE and Huatuo
"Price Determination Agreement"	the agreement expected to be entered into among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or about the Price Determination Date to fix the Offer Price

"Price Determination Date"	the date, expected to be on or around 5 July 2019 but no later than 6 July 2019, on which the Offer Price is to be fixed by agreement between our Company and the Sole Global Coordinator (on behalf of the Underwriters) for the purposes of the Global Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation of our Group's corporate and shareholding structure in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus
"Repurchase Mandate"	the general mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further information of which is set forth in the section headed "Statutory and General Information – Information about Our Company – 3. Resolutions in writing of our Shareholders passed on 21 June 2019" in Appendix V to this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE" or "State Administration of Foreign Exchange"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), a PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SCNPC"	the Standing Committee of the National People's Congress (全國人民代表大會常務委員會), a permanent institution of the National People's Congress
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Share(s)"	the ordinary share(s) in the share capital of our Company with a nominal value of US$0.0005 each
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 21 June 2019 and effective upon the Listing, the principal terms of which are summarised in "Statutory and General Information – Other Information – 15. Share Option Schemes – A. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of Shares
"Shareholders' Agreement"	the shareholders' agreement entered into by and among our Company, Mr. Ho, Mr. Leung, Mr. Lin, King Sun, KS&KL, Lucan Investment, Huatuo and NHPE on 18 May 2016 and subsequently amended and restated on 25 January 2019, as more particularly set out in the section headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments – 2. Summary of material terms of the Pre-IPO Investments" in this prospectus
"Shinva"	Shinva Medical Instrument Co., Ltd (山東新華醫療器械股份有限公司), a company established with limited liability under the laws of the PRC on 18 April 1993 whose A shares are listed and traded on the Shanghai Stock Exchange (Stock Code: 600587)
"Shinva Group"	collectively refers to Huatuo and its associates
"Shinva Group Deed of Non-competition"	the deed of non-competition dated 26 June 2019 executed by Shinva Medical Instrument Co., Ltd (山東新華醫療器械股份有限公司) and Huatuo International Development Co., Limited (華佗國際發展有限公司) in favour of our Company, particulars of which are set out in the section headed "Relationship with Controlling Shareholders – Deed of Non-competition by Our Controlling Shareholders – The Shinva Group Deed of Non-competition" in this prospectus
"Sole Sponsor" or "Sole Global Coordinator"	BOCI Asia Limited
"SPV"	special purpose vehicle

"Stabilising Manager"	BOCI Asia Limited
"State Taxation Administration" or "STA" ("State Administration of Taxation" or "SAT")	the State Taxation Administration of the PRC (中華人民共和國國家税務總局), a PRC governmental agency responsible for the matters of taxation administration in the PRC, formerly known as State Administration of Taxation
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilising Manager or its affiliates and NHPE on or around the Price Determination Date as further described in the section headed "Structure and Conditions of the Global Offering – The Over-allotment Option" in this prospectus
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suzhou DiagVita"	Suzhou DiagVita Biotechnology Co., Ltd. (蘇州德沃生物技術有限公司), a company established with limited liability under the PRC laws on 15 July 2011 and owned as to 51% by IVD China, 41% by R&D Greenventure Co., Limited, 2% by Wu Yifan and 6% by Jiang Beiping
"Sysmex"	Sysmex Corporation, a Japanese healthcare company headquartered in Kobe and was established in 1968. It has the leading market share in the global haematology, haemostasis and urinalysis market (including through its alliances)
"Tecan"	Tecan Group, a Swiss company headquartered in Zurich and was established in 1980. It is a provider of automated laboratory instruments and solutions
"Track Record Period"	the three years ended 31 December 2016, 2017 and 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Vastec"	Vastec HK together with its subsidiaries prior to the Acquisition
"Vastec HK"	Vastec Medical Limited (威士達醫療有限公司) (formerly known as Vatex Medical Limited), a company established with limited liability under the laws of Hong Kong on 31 August 1993 and wholly owned by our Company
"Vastec HK Share Purchase Agreement"	the share purchase agreement entered into by and among Huatuo and our Company on 25 January 2019 on the terms as more particularly set out in the section headed "History, Reorganisation and Corporate Structure – Pre-IPO Investments" in this prospectus
"Vastec (Shanghai)"	Vastec Medical Equipment (Shanghai) Co., Ltd. (威士達醫療設備(上海)有限公司), a company established under the PRC laws on 3 January 2000 and wholly owned by Vastec HK
"**WHITE** Application Form(s)"	the application form(s) to be completed in accordance with the instructions in section headed "How to Apply for Hong Kong Offer Shares – 3. Applying for Hong Kong Offer Shares" in this prospectus
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting the applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the designated website at **www.hkeipo.hk**
"WHO"	the World Health Organisation

"**YELLOW** Application Form(s)"	the application form(s) to be completed in accordance with the instructions in section headed "How to Apply for Hong Kong Offer Shares – 3. Applying for Hong Kong Offer Shares" in this prospectus
"%"	per cent

All dates and times refer to Hong Kong dates and time.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be as arithmetic aggregation of the figures receding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of names of companies, entities, departments, facilities, authorities, institutions, certificates, approvals, laws, regulations, titles and the like in Chinese or another language which are marked with "" and the Chinese translation of names of companies, entities, departments, facilities, authorities, institutions, certificates, approvals, laws, regulations, titles and the like in English which are marked with "*" are for identification purpose only.*

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meanings or usage of these terms.

"BNP"	Brain natriuretic peptide (腦鈉肽)
"cb.m."	cubic metres
"class III hospitals"	Hospitals in the PRC that have been categorised as the top of three classes for their ability to provide medical care, medical education and conduct medical research
"Clinical chemistry"	Clinical chemistry tests (臨床化學測試) to measure or detect specific substances in the body to determine if they are present or present in "normal" amounts
"CRP"	C-reactive protein (C反應蛋白)
"Glycohaemoglobin"	Sugar bound to haemoglobin (糖化血紅蛋白)
"Haematology and body fluid"	Haematology and body fluid tests (血液學及體液測試) refers to the biochemical analysis of body fluids. It uses chemical reactions to determine the levels of various chemical compounds in bodily fluids
"Haemostasis"	A process which causes bleeding to stop (凝血) which belongs to haematology and body fluid testing category
"ICL"	Independent Commercial Labs (獨立醫學實驗室)
"Immunoassay"	Immunoassay tests (免疫分析測試) used to detect or quantify a specific substance, the analyte, in a blood or body fluid sample, using an immunological reaction
"IVD"	In Vitro Diagnostic (體外診斷) which encompass tests done on samples such as blood or tissue that have been taken from the human body
"LIS information system"	The laboratory information system, which is a software system that records, manages, and stores data for clinical laboratories

"Microbiology"	Microbiology tests (微生物學檢測) to look for agents of infectious disease, including bacteria, viruses, parasites, mycobacteria, and fungi, or the body's immune response to these microbes
"NDRC"	National Development and Reform Commission
"POCT"	Point-of-care testing (即時檢驗), which encompasses any tests that are performed at or near a patient and at the site where care or treatment is provided
"R&D"	Research & development
"Tier 1 distributor"	distributors who purchase products from manufacturers directly and onsell to next tier-distributors or to end customers
"Urinalysis"	A test who involves checking the appearance, concentration and content of urine (尿液分析檢測) and which belongs to the haematology and body fluid testing category
"sq.m."	square metres

In this prospectus, statements of, or references to, our intentions or that of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

This prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant known or unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our ability to implement such strategies;
- our dividend distribution plans;
- our operations and business prospects, including development plans for our existing and/or new businesses;
- future developments and competitive environment in the PRC in which we operate;
- the regulatory environment and industry outlook, in general, for the industries discussed herein;
- general political, economic, legal and social conditions in the PRC and the other markets in which we operate;
- our capital commitment plans;
- cost, fluctuations in the price and availability of raw materials;
- our financial condition and performance;
- the competitive markets for our products and the actions and developments of our competitors;
- volumes, operations, margins, risk management and exchange rates;
- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC;
- macroeconomic measures taken by the PRC government to manage economic growth;

- other statements in this prospectus that are not historical fact; and
- other factors beyond our control.

The words "aim", "anticipate", "believe", "consider", "could", "predict", "estimate", "potential", "continue", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks, uncertainties and assumptions that could cause actual results to differ materially from those suggested by the forward-looking statements. Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our business, financial condition and results of operations may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. These forward-looking statements should be considered in light of various important factors, including those set out in the section headed "Risk Factors" in this prospectus. Moreover, the inclusion of forward looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realised. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. Our Directors confirm that these forward-looking statements are made after due and careful consideration and on bases and assumptions that are fair and reasonable. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Global Offering. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We are heavily reliant on our relationship with Sysmex

Sysmex' haemostasis and urinalysis products are two of our most sold types of products. During the Track Record Period, we relied heavily on Sysmex' brand recognition and reputation in the sales and marketing of its products. Any change of Sysmex' existing sales or marketing strategy in the PRC including but not limited to, (i) engaging other distributors, (ii) directly engaging in the sales of its products, or (iii) reducing sales volume, might adversely impact our business and results of operations. There is no assurance that Sysmex will maintain the strength of its brand recognition and that its products will keep generating stable profits for us on a continuous basis. Any detriment to its reputation, change of its sales or marketing strategy or any adverse impacts on its business and financial performance would in turn materially and adversely affect our business operations and results of operation.

Our relationship with Sysmex is considered vital to our business operations. Dacheng has been the regional distributor of Sysmex' haemostasis products in Shanghai for the past six years. It was further engaged as a regional distributor of Sysmex' urinalysis products in Shanghai in April 2016. For the years ended 31 December 2016, 2017 and 2018, revenue generated from the sales of Sysmex' haemostasis and other haematology and body fluid products was approximately RMB128.4 million, RMB174.2 million and RMB219.0 million, respectively, representing approximately 45.4%, 54.6% and 53.6% of the total revenue of our Original Group's distribution business for the same periods. Further, Vastec has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997. For the years ended 31 December 2016, 2017 and 2018, revenue generated from the sales of Sysmex' haemostasis products was approximately RMB1,281.9 million, RMB1,442.9 million and RMB1,632.6 million, respectively, representing approximately

92.8%, 94.4% and 94.4% of the total revenue of Vastec's distribution business for the same periods. Consequently, both Vastec's and our Original Group's business and results of operations depend on the stable supply of haemostasis and other haematology and body fluid products from Sysmex. If Sysmex reduces the sales of its products to us significantly or terminate its business relationship with us, we cannot assure you that we will be able to find alternative suppliers for the similar products, and our business, results of operations and financial conditions may be materially and adversely affected.

We generally enter into distribution agreements with Sysmex for a term of one year pursuant to which, we are granted distribution rights to sell Sysmex' IVD products in the designated geographical regions in the PRC. Sysmex therefore may, at its discretion, after the expiry of a respective distribution agreement, reduce or cease supply of its products to us. There is no assurance that we will be able to renew the distribution agreements with Sysmex on mutually acceptable terms or at all. If we fail to renew our distribution agreements with Sysmex, our business and financial performance may be materially and adversely affected. Even if Sysmex continues entering into distribution agreements with us, there is no assurance that Sysmex will maintain its existing sales or marketing strategies and will not terminate the distribution rights granted to us due to a possible change of its sales and marketing strategies.

Our business operation, financial results and our cashflow may be adversely affected if the "two invoice system" is fully implemented in the IVD industry

As one of the measures for the PRC healthcare system reform, the State Council together with seven other central government departments (including the NHFPC and the State Administration of Food and Drug) jointly issued the Opinions on Implementation of Two Invoice System in Drug Procurement among Public Medical Institutions (for Trial Implementation) (the "**Implementation Opinions**") on 26 December 2016. NHFPC together with five other central government departments jointly issued the Circular on Consolidating the Achievements of Eliminating Compensational Drug Sales and Continuously Deepening the Comprehensive Reform of Public Hospitals (the "**Circular**") on 5 March 2018. In accordance with the Circular, high-value medical consumables are required to implement the classified and centralised purchasing policy, and gradually implement the "two invoice system" for the purchase and sale of high-value medical consumables. The aim of the "two invoice system" is to only allow a maximum of two invoices to be issued in the value chain with the first invoice to be issued by manufacturers to distributors and the second one to be issued by distributors to hospitals and healthcare institutions. Please refer to the section headed "Regulatory Overview – The two invoice system" in this prospectus for more details on the implementation of the "two invoice system" in the PRC.

Except for our self-branded products and our provision of maintenance services, we source IVD products either directly from manufacturers or from general distributors of international manufacturers. To illustrate the potential impact of the "two invoice system", our current business operation can be categorised into five scenarios. Please refer to the section headed "Business – Two invoice system" in this prospectus for more detailed analysis. In the event that the "two invoice system" is fully implemented, only Scenario B and Scenario C will be affected and we may have to discontinue the sales under these two scenarios. During the Track Record Period, our Original Group's sales generated under Scenario B and Scenario C were approximately RMB177.3 million, RMB183.8 million and RMB252.2 million, respectively, representing approximately 61.0%, 54.3% and 61.0% of our Original Group's total revenue for the same periods, respectively. During the Track Record Period, Vastec's sales generated under Scenario B and Scenario C were approximately RMB98.9 million, RMB85.1 million and RMB96.9 million, respectively, representing approximately 7.2%, 5.3% and 5.2% of Vastec's total revenue for the same periods, respectively. Based on the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" as set out in Appendix IIIB to this prospectus, our Original Group and Vastec's aggregate revenue generated under Scenario B and Scenario C (without taking into consideration of any intercompany eliminations) accounted for approximately 16.3% of the total revenue of the enlarged group (after elimination of intercompany results) for the year ended 31 December 2018. In the event that the "two invoice system" is fully implemented, the enlarged group's profit going forward may be adversely affected.

In addition, as an industry norm, distributors often offer longer credit periods to end customers including hospitals and other healthcare institutions as compared to those offered to lower-tier distributors. Hence, any increase in our sales directly to hospitals and other heathcare institutions in the future may lead to an increase in our trade receivable turnover days. If we are not able to negotiate better credit terms with our suppliers, our trade payable turnover days may be shorter than our trade receivables turnover days and such mismatch may result in significant cashflow shortcomings in the future.

During the Track Record Period, Vastec had engaged Agent A to procure Sysmex' haemostasis products to ease the pressure on Vastec's cash flow. Under such arrangements made between Vastec and Agent A, a letter of credit was provided by Agent A for Vastec's procurement of products from Sysmex. To obtain such a letter of credit, Vastec provided Agent A a deposit equivalent to 30% of the procurement consideration and a fee for their services. Please see the section headed "Business – Suppliers and customers" in this prospectus for more details. The gap between trade receivable turnover days and trade payable turnover days due to any increase of direct sales to hospitals and other healthcare institutions in the future may put pressure on our cashflow. We may need to make more similar arrangements with Agent A or other suitable agents to provide letter of credit for us for our procurement of products from Sysmex.

We are reliant on the distributorship arrangements with our non-Sysmex suppliers and we do not have long-term distribution arrangements with them

Our suppliers other than Sysmex are also considered to be of vital significance in our business operation. During the Track Record Period, approximately 48.2%, 43.9% and 45.1% of our Original Group's total purchase of goods were procured from non-Sysmex suppliers. During the Track Record Period, approximately 14.9%, 20.8% and 10.3% of Vastec's total purchase of goods were procured from the non-Sysmex suppliers. As such, we also rely on the business relationships with non-Sysmex suppliers and any deterioration of such relationships would affect our business operations and financial results. Please refer to the section headed "Business – Suppliers and customers – Suppliers of our Original Group" in this prospectus for more details.

During the Track Record Period, we generally entered into distribution agreements with our non-Sysmex suppliers for a term of one year pursuant to which we were granted exclusive or non-exclusive distribution rights to sell IVD products in designated geographical regions in the PRC. Our non-Sysmex suppliers therefore may, at their discretion, after the expiry of respective distribution agreements, reduce or cease to supply their products to us. There is no assurance that we will be able to renew the distribution agreements with our non-Sysmex suppliers on mutually acceptable terms or at all. If we fail to renew our distribution agreements with any of them or to locate suitable new suppliers in a timely manner, our business and financial performance may be materially and adversely affected. Even if our non-Sysmex suppliers will continue to enter into distribution agreements with us, there is no assurance that they will not change their existing sales or marketing strategies or terminate the distribution rights granted to us.

Furthermore, we may not have the bargaining power to negotiate for terms favourable to us. The selling prices of the products we sourced from our other suppliers are set upon mutual negotiation and are subject to market demand and projected annual sales targets. Specifically, there is no assurance that we will be able to secure from new suppliers a credit term similar to those in the current distribution agreements or at all in the event that we enter into distribution agreements with new suppliers or any of our suppliers terminates its business relationship with us in the future. Any of the above may adversely affect our business, liquidity, financial conditions and results of operations.

Our business operation depends significantly on the recurring revenue generated from the sales of our IVD reagents

IVD reagents are indispensable consumables used with specific IVD analysers to obtain IVD testing results, hence we believe that our sales of IVD analysers to customers will create a continuous demand for our reagents and provide recurring income stream to both our Original Group and Vastec. The sales of IVD reagents and other consumables accounted for approximately 94.4%, 92.5%, and 90.0% of our Original Group's total revenue for the years ended 2016, 2017 and 2018, respectively. The sales of IVD reagents and other consumables accounted for approximately 72.2%, 74.1% and 73.9% of Vastec's total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. Our business is therefore highly sensitive to the demand for our IVD reagents. We cannot assure you that our customers will continue to place purchase orders with us for our IVD reagents. If our customers procure IVD reagents from other suppliers, our business, financial condition and results of operations may be materially and adversely affected.

Goodwill impairment may negatively affect our reported results of operations

During the Track Record Period, we recorded goodwill in connection with our business combinations and acquisitions, and did not record any impairment of such goodwill during the same period. We will also record a significant amount of goodwill as a result of the Acquisition. Based on the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" as set out in Appendix IIIB to this prospectus, the enlarged group would have recorded goodwill amounted to approximately RMB1.09 billion as at 31 December 2018. Goodwill is initially measured at cost, and tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. An impairment loss recognised for goodwill is not reversed in a subsequent period. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There are inherent uncertainties related to these factors and to our judgment in applying these factors to the assessment of goodwill recoverability. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators which could potentially be caused by our failure to successfully integrate the operations of Vastec with our other operations or if Vastec cannot generate the financial results we expected. Impairment charges could substantially affect our reported results of operations in the periods of such charges. In addition, impairment charges would negatively impact our financial ratios and could limit our ability to obtain financing in the future.

We would recognise a significant amount of intangible assets on our balance sheet as a result of the completion of the Acquisition, which could be reduced by impairment losses

As a result of the completion of the Acquisition in January 2019, we would record a significant amount of other intangible assets. Based on the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" as set out in Appendix IIIB to this prospectus, the other intangible assets of the enlarged group amount to approximately RMB444.9 million as of 31 December 2018.

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.

The management of our Group recognised the customer relationships of Vastec as intangible assets amounting to RMB416,801,000. The customer relationships are related to the sales of Sysmex products to the PRC customers by Vastec. Vastec is the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC. The management considers that they can renew the distribution agreement with Sysmex at immaterial cost in foreseeable future. These intangible assets are considered by the management of the Group as having an indefinite useful life and will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. A change in the useful life assessment from indefinite to finite would require such intangible assets to be impaired and amortised, which would reduce their carrying values and adversely affect our financial position and financial results.

The intangible assets acquired through business combinations are allocated to cash-generating unit of the Vastec Group ("**Vastec CGU**") for impairment testing. For details of the impairment testing as at 31 December 2018, see Note 4 of the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" as set out in Appendix IIIB to this prospectus.

We obtained our sales orders for IVD analysers from hospitals and healthcare institutions through a tender process, and any failure to secure tender contracts with hospitals and healthcare institutions would affect our business operations and financial results

During the Track Record Period, while the sales of reagents to hospital and healthcare institution customers did not require a tender process, the sales of analysers to the hospitals and healthcare institutions were made through a tender process. Such tender contracts are not recurring in nature and they generally do not have a specific duration. For the years ended 31 December 2016, 2017 and 2018, our Original Group recorded revenue generated from tender contracts for the sale of analysers of approximately RMB1.1 million, RMB6.4 million and RMB15.9 million, of representing approximately 0.4%, 1.9% and 3.9% of the total revenue of our Original Group for the same periods.

In addition, we generally enter into cooperation agreements with hospitals for providing solution services through a tender process for a period of five years. As at the Latest Practicable Date, we have developed business relationships with three hospitals for a period of six years, three years and six months, respectively. During the Track Record Period, revenue generated from provision of solution services amounted to approximately RMB79.9 million, RMB92.4 million and RMB108.7 million, respectively, representing approximately 27.5%, 27.3% and 26.2% of our Original Group's total revenue. The cooperation agreement is generally not renewable and we need to secure another cooperation agreement through the tender process again upon expiry of the existing agreement.

If any of our hospital customers decides to terminate its business relationship with us or if we are unable to renew the existing agreement or to secure a new agreement through the tender process, our business, prospects and financial results may be adversely and materially affected. Moreover, there is no assurance that the terms and conditions of a renewed agreement or a newly secured agreement would be comparable to those of the existing agreements. We may have to offer more favourable terms to hospitals and healthcare institutions or change our service scope in order to increase our success rate in a competitive tender process. If we are unable to reduce our costs and maintain our competitiveness, our results of operations would be materially and adversely affected.

We rely on our distributors to place our products into the market and failure to maintain relationship with our existing distributors, to engage new distributors or to effectively manage our distributors may materially and adversely affect our business, results of operations and financial condition

We rely on our distributors which onsell our products to distributors, logistics providers, hospitals and healthcare institutions. For the years ended 31 December 2016, 2017 and 2018, sales to distributors accounted for approximately 20.9%, 31.8% and 30.7% of our Original Group's total revenue for the same periods, respectively. For the years ended 31 December 2016, 2017 and 2018, sales to the distributors accounted for approximately 97.6%, 93.8% and 91.2% of the Vastec's total revenue for the same periods, respectively. As at 31 December 2018, our Original Group had 202 distributors and Vastec had 764 distributors in the PRC.

As we sell and distribute a significant portion of our products through distributors, certain events may cause fluctuations or decline in our revenue and may have an adverse impact on our business, results of operations and financial condition, for example, (i) delay or cancellation of orders from one or more of our distributors, (ii) our inability to timely renew distribution agreements and maintain relationship with our existing distributors, or (iii) our inability to timely identify and appoint additional or replacement distributors upon loss of one or more of our distributors.

In addition, there can be no assurance that we will be successful in detecting and preventing any non-compliance by our distributors regarding the provisions of their distribution agreements. Non-compliance by our distributors may, among other things, negatively affect our relationship with other distributors.

Furthermore, we also rely on our distributors to expand our distribution network which is subject to the availability of suitable and capable distributors and our ability to negotiate favourable terms with these distributors. We cannot assure you that we will be able to further expand our distribution network as expected or effectively integrate any new capable distributors into our existing network to achieve our expansion goals. Such difficulties we might encounter in expanding our distribution network might restrict our growth prospects and adversely affect our business performance.

The majority of our distributors have not entered into a distribution agreement with us and we may fail in the management of our distributors' performance and obligations

During the Track Record Period, our Original Group engaged 200, 188 and 202 distributors for our distribution business, of which 179, 160 and 168 had not entered into a distribution or sales agreement with our Original Group, respectively. During the same periods, Vastec engaged 734, 752 and 764 distributors, of which 604, 637 and 633 had not entered into a long-term distribution agreement with Vastec, respectively. These agreements include various terms such as geographical designation, specific products to be distributed, payment terms, distribution price and product returns. Although we have, as a part of our stringent control and management policy in relation to our distributors, communicated guidelines and requirements similar to the terms in those agreements to our distributors, we may not be able to maintain effective monitoring and control of our distributors' performance and obligations. If our distributors that have not signed such long-term agreements fail to follow such requirements and guidelines, adverse consequences may include the loss of number of distributors engaged and also cannibalisation amongst our distributors, which may materially and adversely affect our business and result of operations.

We may not be able to avoid the occurrence of channel stuffing among our distributors

We put continuous efforts to prevent the occurrence of channel stuffing. In general, we are required to purchase a minimum amount of respective IVD products from our suppliers and in turn, we require our distributors to purchase from us a minimum amount of respective IVD products to maintain our inventory stock to be at a reasonable level. We will monitor the performances of our distributors by making regular visits and reviewing reports on their distribution flow and inventory levels. Such policy, however, will require the cooperation of our distributors (i) to manage their subdistributors (if applicable) and (ii) to accurately and timely report and submit the relevant data to us, and we may not be able to fully ensure the accuracy of the data provided by our distributors. Despite that we may conduct site visits to check the stock level of our distributors and record detailed track records of the IVD products we distribute, we cannot guarantee that we can accurately monitor the inventory level of our distributors or to identify or prevent any excessive inventory build-up of products distributed by us.

We may not be able to efficiently manage our inventory risks

During the Track Record Period, our Original Group's inventories were approximately RMB37.2 million, RMB47.8 million and RMB51.4 million, respectively, while Vastec's inventories were approximately RMB422.8 million, RMB473.6 million and RMB525.8 million, respectively. Our scale and business model require us to manage a large volume of inventory effectively. In addition, we depend on our demand forecasts to make production decisions and to manage our inventory.

During the Track Record Period, both Vastec and our Original Group were able to maintain a reasonable inventory level of approximately three months, to ensure sufficient products in stock to meet our sales projection and the demand of our customers. In the event that the purchase volume from our customers differs significantly from that we purchase from our suppliers or in the quantities we expect, our inventory level might increase or decrease to an excessive level. Further, there is no assurance that our customers will not cancel orders with us and if it happens, we may not be able to resell those products or to sell the products in stock before their respective expiry dates. For the years ended 31 December 2016, 2017 and 2018, Vastec's average inventory turnover days were 118 days, 132 days and 123 days, respectively, our Original Group's average inventory turnover days were 47 days, 67 days and 61 days, respectively for the same period, which are consistent with the market practice in the PRC.

As we plan to continue expanding our business operation, it could be more challenging for us to effectively manage our inventory. For the years ended 31 December 2016, 2017 and 2018, our Original Group recorded approximately RMB6,000, RMB25,000 and RMB12,000 for inventory write-off, respectively. For the years ended 31 December 2016, 2017 and 2018, Vastec recorded approximately RMB1.1 million, RMB2.6 million and RMB1.3 million for its inventory write-off, respectively.

We implemented certain measures to manage our inventory levels, however, we cannot assure you that these measures will be effective and our inventory level will decrease in the future. There may be mismatches between the actual customer demands and our forecasted sales. If such mistakes happen, our inventory level may further increase in the future.

We have limited control over the practice and manner of the sales by distributors

We sell a significant portion of our products through our distributors, and our distributors may then onsell our products to distributors. Although we will regularly assist our distributors in selecting and communicating with quality distributors, and monitoring their sales in order to efficiently and effectively manage our sales and distribution network, due to the large number of distributors, it is difficult for us to monitor in all aspects of distributors' practices extensively and substantively.

We only enter into distribution agreements with our distributors and do not enter into distribution agreements or sales contracts with distributors. Given that we have no contractual relationship with distributors in terms of the purchase and sales of our products, any dispute that arises between our distributor and distributor is beyond our control and may materially and adversely affect our business.

Our business and financial performance will be materially and adversely affected if we cannot maintain good relationships with, and provide high quality products and services to, our customers

Our growth and future success is reliant upon our ability to maintain good relationships with our customers by further diversifying our product portfolio and solidifying our market position. Our ability to maintain good relationships with existing customers and attract new customers significantly depends on, among others, our ability to (i) continuously anticipate and effectively respond to changing customers' demands and preferences, (ii) anticipate and respond to changes in the competitive and changing landscape of the IVD industry, (iii) identify and adopt evolving technologies to facilitate customers' purchasing or procurement experience with us and (iv) develop and upgrade our value-added services that cater to the needs of our existing and potential customers. In the event that we cannot (i) maintain good relationships with our customers, (ii) maintain or guarantee the high quality of the products we distribute, or (iii) meet the needs of our customers (particularly the hospital and healthcare institution customers), our business and financial performance will be adversely affected.

Our sales business operations may be materially and adversely affected by delays in the delivery of IVD products to customers or poor handling by third-party transportation service providers

We only provide transportation services to some of our hospital and healthcare institution customers and we will rely on third party transportation service providers for delivery of IVD products to other customers. Our timely delivery depends on, among others, the service quality of the third party transportation service providers as well as their ability to fulfil their obligations in accordance with the terms of respective service contracts, including the obligation to maintain a required level of specified conditions or using specific cold chain transportation when required. Any failure to provide on-time delivery may have a material adverse impact on our business operations and reputation, as well as expose us to potential contractual claims with our third party transportation service providers or our customers. In such events, we may not be able to seek full indemnity from the third party transportation service providers or enforce in full any favourable judgements obtained. Further, we may also be obligated under respective service contracts with our customers to compensate them for any loss or damages incurred due to failure to comply with the terms. Any contractual disputes for material breaches by our own transportation team or third party transportation service providers, which may arise in the future, may severely affect our business operations and divert our management attention and resources.

If we are unable to obtain or maintain intellectual property rights relating to our technology and products or if others infringe our intellectual property rights, or if we are involved in lawsuits to protect or enforce our intellectual property rights, our business and ability to compete may be materially and adversely affected

Our success depends significantly upon our ability to obtain, maintain and effectively enforce intellectual property or other proprietary rights of our technology and products as well as related documentation and other written materials. These rights, if obtained, maintained and effectively enforced, can provide some level of protection from competing products. We may seek to protect these proprietary rights through a combination of patents; copyrights and trademarks laws; trade secrets and confidentiality procedures; and contractual provisions in agreements with our suppliers and customers. However, these methods may only afford limited protection against competition from our competitors' products.

As at the Latest Practicable Date, we had ten registered patents in the PRC. However, patent ownership does not guarantee a competitive advantage as competitors may find ways to develop substantially similar products that do not infringe our patents. In other words, our issued patents may not adequately protect our technology or products. In addition, any patent can be challenged, invalidated or declared unenforceable. Further, any patents issued to us may not be sufficiently broad to protect our proprietary rights. We may also develop proprietary products or technologies that cannot be protected under patent law because they do not fulfill the requirements for eligibility.

Despite our efforts to protect our proprietary rights, unauthorised parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Although third parties may infringe our patents and other intellectual property rights, we may not be aware of any such infringement. Monitoring unauthorised use of our intellectual property is difficult, and we cannot be certain that the steps we have taken will prevent unauthorised use of our technology. Our competitors may independently develop similar technology, duplicate our products or design around patents issued to us or other intellectual property rights of ours, in which case our intellectual property rights may not provide us commercially valuable protection.

In addition, any unauthorised or inappropriate use or any infringement of our trademarks or brand names by our distributors could harm our competitive advantages, reputation and success, and our business, results of operations, financial condition and prospects may be materially and adversely affected as a result, including the perceived quality and reliability of our analysers and reagents. Moreover, some of our distributors have been using "Vastec" as part of their corporate name without a formal legal arrangement with us and in such cases we may face difficulties or be unable to claim remedies for any damages should they misuse our brand name. We may enter into trademark license agreements with these distributors to further govern our business relationship, including arrangements with respect to the Vastec trademarks should our business relationship terminate. If these distributors do not honour the terms of such agreement, our reputation and business operation may be materially and adversely affected.

Moreover, we may need to resort to litigation in the future to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. Litigation could result in substantial costs and diversion of resources and management attention. In addition, in an infringement proceeding, a court may decide that a patent of ours is not valid or is unenforceable or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology.

We have only sought limited patent protection and registration of our trademarks, which may impair our ability to use or protect some of our technology and brand. If any third party uses our brand names to conduct business, the value of our brands may be harmed, which could have a material adverse effect on our business. Even if the use of identical or similar trademarks, brand names and logos does not confuse customers, the distinctive nature of our brand image could be blurred because our trademarks, brand names and logos may lose the distinctive association with our Company that we are trying to establish with customers. Furthermore, negative publicity or customer disputes and complaints regarding any third party who uses identical or similar trademarks, brand names and logos could dilute or tarnish our brand appeal.

Our success partially depends upon the growth of our self-branded products business

We commenced research and develop our self-branded IVD reagents in 2016. As at the Latest Practicable Date, we have obtained ten registered patents in the PRC and multiple patents have been commercially applied in our production. Please refer to the section headed "Business – Self-branded products business – Research and development" in this prospectus for more details.

We set the prices for our self-branded IVD analysers and IVD reagents primarily based on the manufacturing costs incurred in the production plus a profit margin that varies depending on the type of products. We periodically review our production costs and negotiate prices with our customers. Our ability to set favourable prices at our desired profit margins and to accurately estimate costs, among other factors, has a material impact on our profitability, particularly for our self-branded products business segment. For the years ended 31 December 2016, 2017 and 2018, our revenue generated from our self-branded products business were approximately RMB7.3 million, RMB18.9 million and RMB5.2 million, respectively and our gross profit margin for our self-branded products business was approximately 73.0%, 84.7% and 80.1%, respectively, for the same period. As a result, our success partially depends upon the continued growth of the medical device industry in the PRC as well as our ability to capture the market opportunities. Failure to adequately anticipate and meet market demands could harm our business and growth prospects.

Our business operation may be affected if our OEM manufacturer breaches applicable laws and regulations

During the Track Record Period, our Original Group outsourced the manufacturing of its self-branded IVD analysers to an OEM manufacturer in the PRC. Please refer to the section headed “Business – Self-branded products business – Production process” in this prospectus for more details. Any failure of the OEM manufacturer to comply with any regulatory requirements, including such requirements against infringement of intellectual property rights of third parties under the PRC laws, may result in its failure to obtain the necessary certificates, permits and licenses required under applicable laws to conduct its manufacturing or other business activities, which could in turn affect the production of our self-branded IVD analysers. There is no assurance that we will be able to identify a suitable alternative OEM manufacturer in a timely manner and in such event, our business and financial performance may be materially and adversely affected.

We may not be able to effectively manage our employees or distributors to comply with anti-corruption laws, failure of which or a failure to detect bribery or other misconduct may harm our reputation and have a material adverse effect on our business operations and results of operations

We operate in the healthcare industry in the PRC and are subject to anti-corruption laws in the PRC, which generally prohibit companies and intermediaries from engaging in any bribery, corruption and fraudulent activities (including, among other things, improper payments to public officials and industry players for the purposes of obtaining or retaining business or other benefits, and improper payments or other form of bribes to hospitals and doctors in connection with the procurement of products). We may not be able to effectively manage our employees nor may we be able to always detect acts of bribery or other misconduct on the part of our employees. In addition, we may not be able to manage the activities of our distributors which we have engaged to develop and maintain customer relationships as well as to promote our products.

While we have internal controls and procedures in place to monitor internal and external compliance with anti-corruption laws, regulations, policies and practices, we cannot assure you that our employees or distributors will not violate the relevant anti-corruption laws and we cannot assure you that such internal controls and procedures will always protect us from penalties that may be imposed by the relevant authorities due to violations committed by our employees or distributors. If our employees or distributors violate anti-corruption laws, we could be deemed responsible for their actions which could subject us to negative publicity or harm our reputation and corporate image and disrupt our business operation. We may also be subject to regulatory investigations, or even be required to pay damages or fines, which could materially and adversely affect our results of operations and financial condition.

If we fail to maintain an effective quality assurance and control system, our business could be materially and adversely affected

We place great emphasis on product quality and adherence to stringent quality assurance and control measures. Please refer to the section headed "Business – Quality control" in this prospectus for more details. Failure to maintain an effective quality assurance and control system or to obtain or renew our quality standards certifications may result in a decrease in demand for our self-branded IVD products and the products we distribute, or cancellation or loss of purchase orders from our customers. Moreover, our reputation could be tarnished. As a result, our business, financial conditions and results of operations could be materially and adversely affected.

Our business operations and financial results may be materially and adversely affected if our business license, permits and all other necessary approvals are cost, withdrawn or expired

In accordance with applicable PRC laws and regulations, we are required to obtain and maintain different licenses and permits for the distribution and manufacture of IVD products in the ordinary course of our business. During the Track Record Period, we were able to obtain the relevant licences and permits for the operation of our business. As at the Latest Practicable Date, all licences, permits and other necessary approvals required for our business operation are current and valid. We have never encountered any refusals or delays in renewing certain licenses, permits and/or approvals. Our Directors confirmed that as at the Latest Practicable Date, we complied with all relevant laws and regulations for the operation of our business. However, any loss of or failure to renew or obtain or maintain the relevant licenses and permits in the future could lead to temporary or permanent suspension of our business operation. If we fail to comply with licensing or other regulatory requirements, our business, financial conditions and results of operations may be adversely affected.

We are subject to PRC laws, rules and regulations on occupational health and safety and may be exposed to liabilities and costs for occupational health and safety issues

Our business is also subject to PRC laws, rules and regulations relating to occupational health and safety for the healthcare industry. For additional information regarding the Company's compliance with respect to health and work safety laws, rules and regulations, please refer to "Business – Health and work safety" in this prospectus. Healthcare companies that fail to comply with applicable safety laws, rules and regulations may be subject to fines, penalties or even suspension of operations. At the same time, relevant governmental authorities may regularly conduct safety inspections of the manufacturing sites and facilities of healthcare companies. The timing and the outcome of such safety inspections, nevertheless, is hard to predict since their standards are somewhat obscure. Failure to pass the safety inspections may harm our corporate image, reputation and the credibility of our management, and thus have material adverse effect on our financial conditions and results of operations.

We may incur losses resulting from product liability claim as the quality of the products distributed by us is not under our control

Standard quality inspection of the products imported into the PRC for distribution is normally carried out by relevant PRC authorities upon arrival of the products in the PRC. As a distributor, we are not responsible for the quality control of the production of the IVD products we distribute. However, in accordance with Regulations for the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and relevant rules, promulgated on 4 May 2017, we as the distributor of imported medical devices, are required to verify the relevant invoice, inspection report as well as conducting batch sampling check upon the arrival of imported medical devices, for which our inspection personnel are only required to check the appearance, packaging, labelling, product description and other relevant supporting documents for such sampling products and there is no mandatory requirement for medical device distributor to examine the internal components and quality of the medical devices. In accordance with the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**", promulgated on 22 February 1993 and amended on 8 July 2000 and 27 August 2015), producers and distributors are responsible for product quality according to the provisions of the Product Quality Law. Responsibilities and obligations of distributors for the products include: (i) to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other identifications of such stock; (ii) to take measures in maintaining good quality of the products for sale; (iii) not to sell defective or deteriorated products or products which have been publicly ordered to cease sales; (iv) to sell products with labels that comply with the relevant provisions; (v) not to forge the place of origin or forge or falsely use the names and addresses of other producers; (vi) not to forge or falsely use product quality marks, such as authentication marks; (vii) not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products. As such, in the case that there are no packaging damage and relevant documentation such as inspection report are properly attached, we would not be able to know whether there are any defects in the internal quality of the IVD products we distribute.

During the delivery of the products from our warehouses to our customers, the quality of the products may also be affected. Any failure to maintain quality standards could materially and adversely affect the brand image and reputation of the IVD products we distribute, thus adversely affecting our business prospects and financial performance. Pursuant to the distribution agreements entered into between us and our customers, products, with incomplete packaging or inconsistent with the samples provided by us may be returned by our distributors. If our customers lose confidence in the IVD products we distribute, they will no longer purchase such products from us and our business and financial performance may be materially and adversely affected as a result.

We are exposed to risks of product returns or exchange which may adversely affect our business and financial performance and our results of operations

We generally accept returns or exchange for defective products to maintain our end-customers' satisfaction. During the Track Record Period, our product recall incidents and the total product returns and compensation claims were insignificant. However, we cannot assure you that we will not be exposed to risks associated with product returns in the future. Any product returns or recalls in the future may result in unexpected capital expenditure and could adversely impacted our operating profit and cash flows.

Our business may be affected by the availability of warehouse facilities and the related rental expenses

As at the Latest Practicable Date, we rented three warehouses with total gross floor area of approximately 11,529 sq.m. in Shanghai for the storage of our products sourced from our suppliers and we did not own any warehouse facilities. The rental expenses of our Original Group's warehouses amounted to approximately RMB0.5 million, RMB0.2 million and RMB0.3 million for the years ended 31 December 2016, 2017 and 2018, respectively. The rental expenses for Vastec's warehouses amounted to approximately RMB0.9 million, RMB1.0 million and RMB4.4 million for the years ended 31 December 2016, 2017 and 2018, respectively. The tenancy agreements for the warehouses we currently occupy are for a fixed duration. It is uncertain whether these tenancy agreements can be renewed at all upon expiry or on terms acceptable to us. Even if we are able to renew or extend the tenancy agreements, the rental expenses may increase significantly and any increase in rental expenses will increase our costs of operation and may therefore adversely affect our business and financial performance if we are unable to pass on the increased costs to our customers. In addition, the landlords of the warehouses may exercise their right of early termination to terminate the tenancy agreements in accordance with the terms of respective tenancy agreements. In such cases, we may be unable to find suitable locations to relocate our warehouses in a timely manner and on commercially acceptable terms, or at all, which could result in temporary disruption to our operation and loss of business due to our decreased warehousing and storage space.

In addition, we also installed cold chain storage at our rented warehouses to maintain a required level of temperature conditions ranging between 2°C to 8°C for the storage of respective IVD products we distribute. As at the Latest Practicable Date, the total gross floor area of our cold chain storage we installed are approximately 7,882 cb.m. We cannot assure you that business interruptions will not occur as a result of any failure by these warehouses to perform as expected or meet the needs of our business, such as power outage. We therefore cannot assure you that our warehouses will continue to provide services to our satisfaction or on commercially acceptable terms. Any unexpected and adverse changes in the optimal storage conditions of our warehouse facilities may expedite the deterioration of such products and in turn heighten the risk of inventory obsolescence or exposure to litigation matters.

We experience seasonal fluctuations in our sales and as a result, our interim performance may not be an indicator of our overall performance in a given year

Our sales are subject to seasonal fluctuations. During the Track Record Period, our sales activities are generally less active before and after the Chinese new year because of the holiday spending patterns of our customers. Generally speaking, our sales would increase before the end of year as it is also the year end for the settlement of medical insurance. As a result, these seasonal fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of our performance. In addition, if we fail to respond to any seasonal change in consumer preferences and market trends and to adjust our product supply, our sales performance for that season or period may be materially and adversely affected. Please refer to the section headed "Business – Seasonality" of this prospectus for more details.

We may experience delays in collecting trade and bills receivables

We grant a credit term of a maximum of 120 days to our customers. To the extent that revenue recognised under a purchase order has not been received, we record it as a trade and bills receivable. As at 31 December 2018, our Original Group had an aggregate trade receivables of approximately RMB162.4 million. Our Original Group's average receivables turnover days for the years ended 31 December 2016, 2017 and 2018 were approximately 95 days, 111 days and 129 days, respectively. As at 31 December 2018, Vastec had an aggregate trade and bills receivables of approximately RMB190.9 million. Vastec's average receivables turnover days for the years ended 31 December 2016, 2017 and 2018 were approximately 26 days, 28 days and 32 days, respectively. If one or more of our important customers were to become insolvent or otherwise unable to pay for the products sold by us, our business and financial conditions as well as our results of operations will be materially and adversely affected.

Our liquidity and operational cash flows may be materially and adversely affected if the trade and bills receivables cycles or collection periods lengthen or if we encounter a material increase in default of payment from customers. We cannot assure you that our customers will meet their payment obligations on time or in full, or that our trade and bills receivables turnover days will not increase. Any inability on the part of our customers to settle or promptly settle the amount due to us may materially and adversely affect our business, financial conditions and results of operations.

We may not be able to attract and retain our core management team and other key personnel for our operation

Our business growth largely depends on the continued contribution from, and our ability to retain, our senior management and key personnel. In particular, we rely on the expertise and experience of our founders, Mr. Ho, Mr. Leung and Mr. Lin, and our senior management in the industry, which is crucial to our success. Our success also depends on our key personnel with extensive managerial, technical, research and development or sales experience. We cannot assure you that the contribution of our founders and the service of our senior management and key personnel will continue in the future. Should any of our founders, current senior management or key personnel become unable or unwilling to work for us, we may incur additional expenses to recruit and retain suitable replacements. In the event that we are unable to recruit new talents who have similar knowledge or experience, or if any of our founders, senior management or key personnel joins our competitors or establishes a new company that becomes a competitor, our business may be adversely affected.

We may not have sufficient insurance coverage to cover the risks relating to our operations

Although we have not encountered any major accidents in the course of our operations during the Track Record Period, there is no assurance that we will be able to prevent any unforeseeable accidents in the future. We have procured the necessary insurance coverage, including but not limited to insurance for liabilities and losses for directors and officers, goods transportation, properties, vehicles, warehouses and statutory employee compensation. Please refer to the section headed "Business – Insurance" in this prospectus for more details. Although there had been no material insurance claims during the Track Record Period, we face with exposure to such claims in the event that any of the IVD products we distribute are alleged to have caused property damage, bodily injuries or other adverse effects. Losses incurred or payments that we may be required to make as a result of the above claims could have a material adverse effect on our results of operations if such losses or payments are not adequately insured.

We may be subject to intellectual property infringement claims and successful claims of infringement could materially and adversely harm our business and reputation

Our technology and product designs for self-branded IVD analysers and reagents under our brand may subject to claims initiated by third parties for infringement of their intellectual property rights. Legal proceedings involving intellectual property rights can be expensive and time-consuming, and their outcomes are uncertain. Successful infringement claims by third parties against us could subject us to substantial monetary liability, require us to obtain licences (which we may not be able to obtain on commercially reasonable terms or at all), pay on-going royalties, modify aspects of our technology and product design or subject us to injunctions prohibiting the production and sale of such concerned products, which could materially and adversely harm our business and reputation.

Some of our leased properties have defective titles or have been used for unpermitted purpose and we may be required to cease using such leased properties if there is a valid claim for them.

As at the Latest Practicable Date, we leased 41 properties with a total gross floor area of approximately 20,821 sq.m. in the PRC and Hong Kong. These properties were mainly used as offices. Out of the 41 leased properties, we failed to register 31 lease agreements with the competent authority with a gross floor area of approximately 17,461 sq.m. (representing approximately 83.9% of the total gross floor area our Group leased). The lessors of three of the 41 properties, have failed to provide us with property ownership certificates or consents from the property owners with respect to the lease of the properties. Out of the 41 leased properties, seven of them were also used for a purpose not permitted under the relevant lease agreements or land use permits as regulated by PRC law. The lease agreements relating to these leased properties may be unenforceable under PRC law. We may be required to cease occupation and use of such leased properties if there is a valid claim for the properties. We may claim compensation or indemnification from the lessors under some of our lease agreements, but legal proceedings may consume substantial managerial and financial resources and there can be no assurance that we would be able to receive sufficient compensation or indemnification to cover our losses and damages.

Our business operations, reputation and financial performance may be adversely affected by our employees' wrongdoings

As at the Latest Practicable Date, we had a total of 572 employees. Employee wrongdoings at different operational levels may reduce the operational efficiency and business performance and may even result in violations of laws, third party claims and regulatory actions against us causing reputation or financial damage to us. There is no assurance that all of our employees will conduct their duties at all times in good faith and in a manner which is in full compliance with laws and our internal policies.

We have designed and implemented policies and procedures to ensure that we, our employees and customers comply with applicable anti-corruption laws. We cannot assure you that our employees and customers will observe our policies and procedures at all times. If we are not in compliance with the applicable anti-corruption laws, we may be subject to criminal and civil penalties and other remedial measures, which could cause reputation damage and have a material and adverse impact on our business, financial conditions or results of operations.

The PRC laws and regulations relating to incentive payments are not always clear. Hence, the relevant governmental authorities may have considerable discretion in determining the misconduct with respect to corruption under certain circumstances. If our employees and customers either knowingly or unknowingly engage in corrupt or improper conduct in connection with the marketing, promotion or sales of our services and products, our reputation and sales activities could be materially and adversely affected.

We could be exposed to liability by litigation or legal proceedings which may divert our resources and adversely impact our reputation

Our operational and financial stability are subject to any litigation or legal proceedings we may face in the future. During the ordinary course of our business operations, we are exposed to liabilities arising from product quality claims, labour disputes, contractual claims under distribution agreements, supply agreements, and other potential third party disputes. These actions could also expose us to adverse publicity, which might adversely affect our brands, reputation and customer preference for the products we distribute. Our operational and financial resources, as well as our management attention may be diverted in handling such proceedings from our business and operations. Our financial performance may be materially and adversely affected as substantial legal costs may be incurred during the often prolonged process of litigation while the outcome remains uncertain. Furthermore, any settlements or judgments against us may tarnish our reputation or strain our financial resources and adversely affect our profitability.

Our profit margin will be reduced if there are reductions or withdrawal of any of the subsidies granted to us by the PRC government

Our Original Group has recognised income in the form of government grants including, but not limited to, those in relation to the Shanghai Zhangjiang Hi-Tech Park Technology Incubation and Accelerated Development Support Measures (《上海市張江高科技園區科技孵化及加速發展扶持辦法》), Notice on Standards for Differentiating Small and Medium Sized Enterprises (《關於印發中小企業劃型標準規定的通知》) for training high talented personnel, working on start-up and innovation and grants to projects since 2016. Such income recognised amounted to approximately RMB3.9 million, RMB0.8 million and RMB0.4 million for the years ended 31 December 2016, 2017 and 2018, respectively.

Vastec also recognised income in the form of government grants from Shanghai Free Trade Zone amounted to approximately RMB5.7 million, nil and RMB24.9 million for the years ended 31 December 2016, 2017 and 2018, respectively.

Since these government grants awarded to us are subject to the discretion of relevant governmental authorities, they are not derived from the ordinary and usual course of business and are not recurring in nature. There is no assurance that the government grants will also be awarded in the future. Moreover, since there can be unexpected changes in the laws, regulations and governmental policies of the PRC, the availability of government grants is uncertain. Any reductions or withdrawal of the subsidies granted to our Original Group or Vastec by the authorities would have an adverse effect on our Group's financial performance and results of operations.

Our performance may be affected by the increase in cost of labour and shortage of skilled sales personnel and experienced product developers

We consider experienced sales personnel with strong product knowhow and product developers with sophisticated research and developing capabilities, who are instrumental to our business development, are not readily available in the market. There is no assurance that we are able to attract or retain experienced sales personnel or product developers. If we fail to retain our existing sales personnel or product developers, or recruit sufficient sales personnel or locate suitable product developers with competitive product developing experiences in a timely manner, our business and results of operations may be adversely affected. For the years ended 31 December 2016, 2017 and 2018, our Original Group incurred expense for the labour costs in the amount of approximately RMB19.5 million, RMB23.2 million and RMB26.8 million, respectively. For the years ended 31 December 2016, 2017 and 2018, Vastec incurred expense for labour costs in the amount of approximately RMB59.9 million, RMB52.8 million and RMB54.5 million, respectively. There is no assurance that our labour costs will remain stable. If there is any significant increase in our labour costs and we have to retain our labour by increasing their wages, our staff cost will increase and thus lower our profitability.

The medical devices industry in respect of IVD products in the PRC is highly competitive and any non-compliance with competition laws and regulations in the PRC may result in significant monetary fines and other liabilities and negative impacts on our reputation

We operate our business in a highly competitive industry. Although the current products we distribute are well established in the market, it is possible that products with similar functions may be developed and marketed as direct substitutes. If such substitutes are successfully launched in the market and these substitutes are not distributed by us, our profitability may be adversely and materially affected. In addition, national and international distributors engaged in the distribution of substitute products may have more resources, such as a wider distribution network or more experience in distribution. Competition is likely to intensify if (i) the number of distributors of substitute or similar products increases due to increased market demand or increased prices; (ii) competitors drastically reduce prices due to oversupply of products; or (iii) competitors distribute new products or substitute products having comparable medical applications that may be used as direct substitutes for the products we distribute and such new or substitute products are more effective with prices comparable to or lower than the products we distribute. If any of the above occurs, our business and financial performance may be adversely affected.

Further, our business is also subject to the PRC competition laws and regulations. In the event of our non-compliance with present or future competition laws or regulations, we may be subject to inspections or fines from relevant governmental authorities or business interruptions, and our management might be subject to relevant liabilities as well. We may also be subject to adverse damage to our reputation. Please refer to the section headed “Business – Regulatory compliance and legal proceedings” in this prospectus for more details.

We recorded negative cash flows from operating activities during the Track Record Period. If we cannot obtain sufficient capital on acceptable terms to fund our operations, our business, financial condition and prospects may be materially and adversely affected

Maintaining adequate liquidity is essential to our business. Our Original Group recorded negative net cash flow from operating activities of approximately RMB23.5 million for the year ended 31 December 2016. Our Original Group generated net cash inflow from operating activities of approximately RMB19.7 million and RMB2.0 million for the years ended 31 December 2017 and 2018, respectively. The negative cash flows from operating activities of our Original Group were mainly attributable to (i) the adjustment of share of profits of Vastec; (ii) the increase of inventory as a result of increased purchases from suppliers to cope with business growth; (iii) the decrease in average turnover days of trade payables as Vastec implemented stricter working capital management; and (iv) the increase in average turnover days of trade receivables primarily due to the longer payment settlement by some of the new hospital customers. Please refer to the section headed "Financial Information of our Original Group" in this prospectus for further details.

Vastec recorded negative net cash flow from operating activities of approximately RMB13.4 million for the year ended 31 December 2016. Vastec generated net cash inflow from operating activities of approximately RMB68.5 million and RMB66.7 million for the years ended 31 December 2017 and 2018, respectively. The negative cash flows from operating activities of Vastec were mainly attributable to (i) the increase of inventory as a result of increased purchases from suppliers to cope with business growth; and (ii) the increase in prepayments as a result of increased procurement of Sysmex' products through Agent A, which usually requires advance payments from Vastec. Please refer to the section headed "Financial Information of Vastec" in this prospectus for further details.

We cannot assure you that we will not experience negative net operating cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we may default on our payment obligations and may not be able to fulfil the minimum purchasing requirements. As a result, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO THE INDUSTRY

We may face even more intense competition in light of the government's policies in encouraging the expansion of large distributors through acquisition of smaller ones

We may face even more intense competition because the IVD product distribution industry in the PRC is highly fragmented and competitive. According to the Frost & Sullivan Report, there were over 10,000 distributors in the PRC in 2018. Our key competitors include large tier 1 and tier 2 distributors of IVD products in our existing markets and may have substantially greater resources than we do in respects of financial, managerial or technical resources or stronger distribution or marketing capability. In light of the aforementioned "two invoice system", the PRC government essentially encourages the consolidation in the drugs and medical device distribution industry and supports the expansion of large distributors to acquire smaller distributors in order to compress the multi-layer distribution value chain into one single layer. After such consolidation, large distributors having competitive advantages due to nationwide sales network, comprehensive product portfolio and capability to directly sell products to the end customers, including different levels of healthcare institutions, after sourcing form manufacturers are more likely to remain in the market. As a result, our key competitors may expand their market shares by aggressive acquisition and we will have to confront more fierce competition in the market.

We cannot assure you that we will be able to remain competitive by sourcing products at favourable prices compared to our competitors, maintain our supplier and customer relationships, expand our distribution coverage or build up our brand reputation, nor can we assure you that we will be able to maintain our existing market share or profit margin in our distribution business.

We expect to continue to face a highly competitive market environment. If we are unable to compete effectively against our existing or new competitors, react to the rapidly changing market conditions, control product procurement or allocate resources effectively over our business expansion, our business, financial conditions and prospects may be materially and adversely affected.

Rapid changes in the medical device industry may render the products we distribute obsolete

The medical device industry is characterised by rapid changes in technology, constant enhancement of industrial know-how and frequent emergence of new products. Future technological improvements and continual product developments in the medical device industry may render existing products distributed by us obsolete or affect our viability and competitiveness. Therefore, our future success will largely depend on our ability to: (i) diversify the portfolio of products we distribute; and (ii) source and develop new and competitively priced products which meet the requirements of the constantly changing market. If we fail to respond to this environment by sourcing or developing new products in a timely fashion, or if the IVD products we distribute do not achieve adequate market acceptance, our business and profitability may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in economic, political, legal and social developments and conditions in the PRC or policies adopted by the PRC government could materially and adversely affect our business and financial performance

Our operating assets are located in the PRC and all of our sales are derived from our business activities in the PRC. Our business and financial performance are subject, to a significant degree, to economic, political, legal and social developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many aspects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The PRC economy has traditionally been centrally planned. Since 1978, the PRC government has been promoting reforms of its economic and political systems. These reforms have brought about marked economic growth and social progress in the PRC, and the economy of the PRC has shifted gradually from a planned economy towards a market-oriented economy. However, there is no assurance that the PRC government will continue to pursue economic reforms. The PRC government exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. Also, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. In addition, while the PRC economy has experienced significant growth in the last three decades, growth has been uneven across both geographic regions and various sectors of the economy. Our business and financial performance may be materially and adversely affected by the PRC government's political, economic and social policies, tax regulations or policies, and regulations affecting the PRC regenerated medical device industry, in particular with the IVD industry.

Dividends payable from our PRC subsidiaries may become subject to withholding taxes under the PRC tax laws

Our Original Group's other income mostly comes from dividends that we receive from our subsidiaries in the PRC. Under the PRC EIT Law and the Implementation Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》), dividends payable by a foreign invested enterprise to its foreign corporate investors who are deemed as non-resident enterprises which have not formed permanent establishments or premises in China, or have formed such but there is no actual relationship between the dividends and the established institutions or premises, are subject to the EIT rate of 10%, unless otherwise regulated in applicable PRC laws. Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement for the Avoidance of Double Taxation on Income**") and other applicable PRC laws, a Hong Kong resident company, such as IVD China and IVD International, will be subject to a withholding tax at the rate of 5% of dividends received from a PRC resident enterprise if it holds 25% or more equity interests in such PRC resident enterprise paying the dividends, such as Dacheng and IVD (Shanghai).

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may have an adverse effect on our business, financial conditions and results of operations

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics, including but not limited to those caused by avian influenza or swine influenza, may restrict business activities in the areas affected and adversely affect our business and results of operations. For example, in 2009 and 2013, there were reports of the occurrence of two types of avian influenza in certain regions of the world, including the PRC, where we operate our business. Moreover, the PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect the economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the PRC government or other countries in response to such disasters and epidemics, will not seriously disrupt our operations or those of our distributors, which may have an adverse effect on our business and results of operations.

Uncertainties regarding interpretation and enforcement of the PRC laws, rules and regulations may impose adverse impact on us

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference, but may have limited weight as precedents. Many laws, rules and regulations, including those providing for protection or restriction to various forms of foreign investments in the PRC, have been promulgated and amended in the PRC. Some of these laws, rules and regulations are promulgated in broad principles without clear and simultaneous implementation rules, or at all. Because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may be influenced by momentary policy changes imposed by the PRC government. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until some periods after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and it may also be difficult to enforce judgments and arbitration awards in the PRC. Further, litigation may result in substantial costs and the diversion of resources and management attention, which in turn may have an adverse effect on our business, results of operations and financial conditions. As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There is no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon our business, operations, financial conditions or profitability.

Our operations and significant assets are located in the PRC. Shareholders may not be accorded the same rights and protection that would be accorded under the Cayman Islands Companies Law

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability and is subject to the Companies Law of the Cayman Islands. Our main operations are located in the PRC, and are therefore subject to relevant laws in the PRC. The PRC company law may provide Shareholders with certain rights and protection of which may not be the same level of Shareholder rights and protection that would be accorded under the Companies Law of the Cayman Islands.

It may be difficult to effect service of process upon our Directors or executive officers who reside in the PRC or to enforce against them in the PRC any judgements obtained from non-PRC courts

The legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate laws in other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested. However, according to the PRC company law, shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Judgements Arrangement**") subsequently promulgated on 3 July 2008 and effective on 1 August 2008, pursuant to which a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in the PRC. Similarly, a party with a final judgement rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Judgements Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgement rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgements in the PRC.

In addition, on 18 June 1999, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) (the "**Arbitration Arrangement**") which came into effect on 1 February 2000. This Arbitration Arrangement, made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000. Under the Arbitration Arrangement, awards that are made by the PRC arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong, and awards made by Hong Kong arbitral authorities are also enforceable in the PRC. However, so far as we are aware, there has not been any published report of judicial enforcement in the PRC by a holder of our Shares to enforce an arbitral award made by the PRC arbitral authorities or Hong Kong arbitral authorities, and there are uncertainties as to the outcome of any action brought in the PRC to enforce an arbitral award made in favour of a holder of Shares. Accordingly, we are unable to predict the outcome of any such action.

Some of our Directors and executive officers reside within the PRC. Most of our assets and substantially all of the assets of our Directors and executive officers are located within the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgements awarded by courts of most western countries. Hence, the recognition and enforcement in the PRC of judgements of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market in Hong Kong for our Shares and their liquidity and market price may be volatile

Prior to the Global Offering, no public market existed for our Shares. The initial Offer Price range to the public for our Shares is the result of negotiations between us and the Sole Global Coordinator on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. There is no assurance that an active trading market for our Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our Shares will not decline below the initial Offer Price.

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Global Offering

Factors such as fluctuations in our sales, earnings, cash flows, new investments, acquisitions or alliances, regulatory developments, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and/or unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance or condition of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may adversely affect the prices of our Shares, and as a result, investors in our Shares may incur substantial losses.

Purchasers of Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

Potential investors will pay a price per Share that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities and will therefore experience immediate dilution when potential purchases of the Shares offered in the Global Offering. As a result, if our Company was to distribute its net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares. We may need to raise additional funds in the future to finance further expansion or new developments relating to our existing operations. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

You may face difficulties in protecting your interests under the laws of the Cayman Islands

Our corporate affairs are governed by, among other things, our Memorandum and Articles and the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under the Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions.

Certain facts and statistics derived from government sources contained in this prospectus may not be accurate and should not be unduly relied upon

We have derived certain facts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the PRC medical device industry in which we operate, from information provided by the PRC government agencies, industry associations, independent research institutes or other third-party sources that we believe to be reliable. While our Directors have taken reasonable care in the reproduction of information, they have not been prepared or independently verified by us, the Sole Sponsor, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled in or outside the PRC. The facts forecasts and other statistics include the facts forecasts and statistics included in the sections headed "Risk Factors", "Industry Overview" and "Business" in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practices and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to, or place on, such facts or statistics.

The share options granted under the ESOP may result in a dilution to your shareholding and earnings per Share

We adopted the ESOP, particulars of which are summarised in "Statutory and General Information – Other Information – 15. Share Option Schemes – B. ESOP" in Appendix V to this prospectus. Pursuant to the ESOP, the overall limit on the number of underlying Shares is 32,507,627 Shares, representing approximately 2.44% of the issued Shares immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme). Any exercise of the options granted under the ESOP will result in a dilution to your shareholding and earnings per Share. Specifically, assuming all options under the ESOP had been exercised in full but without taking into account any Shares which may be allotted, issued or sold upon the exercise of the Over-allotment Option or any Shares which may be alloted and issued upon the exercise of the options which may be granted under the Share Option Scheme, this will have a dilutive effect on (i) the shareholding of the Shareholders of approximately 2.38%, and (ii) earnings per Share of approximately 2.38%.

You should only rely on the information included in this prospectus and the documents issued by our Company to make your investment decision and should not rely on any particular statements in other published announcements, news reports and/or research analyst reports relating to our Controlling Shareholder, our Group and the Global Offering

Prior to the publication of this prospectus, subsequent to the date of this prospectus and after the Listing, there have been, and there may continue to be announcements, press and media coverage and research analyst reports regarding the Shinva Group and its subsidiaries (including our Group) and the Global Offering, which may include certain historical and forward-looking financial information about the Shinva Group, including its business and operations in the PRC, which is operated by our Group.

We are not expected to endorse or participate in the disclosure of any such information. We do not accept any responsibility for any such announcements, press and media coverage or research analyst coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. If any such information appearing in publications other than this prospectus or the documents issued by us is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. You should only rely on the information included in this prospectus and the documents issued by our Company in making your investment decision and should not rely on any other information. Your attention is drawn to the sections headed "Disclosure by the Controlling Shareholder" and "Relationship with our Controlling Shareholder" of this prospectus for further details.

Investors should read the entire prospectus carefully and we strongly caution the investors not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Global Offering, including, in particular, any projections, valuations or other forward-looking information

Prior or subsequent to the publication of this prospectus, there had been or may be press and media coverage regarding us and the Global Offering. We have not authorised the disclosure of any such information in the press or media, the financial information, financial projections, valuations and other information about us contained in such unauthorised press and media coverage may not truly reflect what is disclosed in this prospectus or the actual circumstances, and we do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us or the Global Offering, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the press articles or other media. To the extent that any such information appearing in the press or media is inconsistent or in conflict with the information contained in this prospectus or the actual circumstances, we shall not be liable on the same. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and not to rely on any other information.

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the Listing, certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further details of such non-exempt continuing connected transactions and the waiver are set out in the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

The Listing is sponsored by the Sole Sponsor. We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including shares to be issued pursuant to the Capitalisation Issue, any additional Shares which may be allotted, issued or sold pursuant to the exercise of the Over-allotment Option) and any Shares which may be allotted and issued upon exercise of the options granted or to be granted under the ESOP or the Share Option Scheme.

Save as disclosed in this prospectus, no part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on Friday, 12 July 2019. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 1931.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our Principal Share Registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Japanese Yen amounts into RMB, of RMB amounts into Hong Kong dollars and of Hong Kong dollars into US$ at specified rates.

Unless we indicate otherwise, the translation of the Japanese Yen to RMB, of Renminbi into Hong Kong dollars, of Renminbi into US$ and of Hong Kong dollars into US$, and vice versa, in this prospectus was made at the following rate:

JPY15.6946 to RMB1.00

RMB0.8800 to HK$1.00

HK$7.8188 to US$1.00

No representation is made that any amounts in Japanese Yen, Renminbi, Hong Kong dollars or US$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ho Kuk Sing (何鞠誠)	Room 1602, No. 5 Lane 2580, Jin Xiu Road Shanghai China	Chinese
Leung King Sun (梁景新)	Flat A, 18/F No. 1 Sai Wan Terrace Sai Wan Ho Hong Kong	Chinese
Lin Xianya (林賢雅)	Room 2502, BLK 1 Alley 680, Shui Cheng Road Chang Ning District Shanghai China	Chinese
Non-executive Directors		
Chen Xingang (陳心剛)	No. 402, Unit 3 Building 19, Fu Gui Jia Yuan No. 16, Liantong Road Zhangdian District, Zibo City Shangdong Province China	Chinese
Yang Zhaoxu (楊兆旭)	No. 402, Unit 1 Building 2 No. 8, Zhanghuan Road Zhangdian District, Zibo City Shandong Province China	Chinese
Chan Kwok King, Kingsley (陳國勁)	15B, Sky Tower The Arch 1 Austin Road West Kowloon Hong Kong	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Lau Siu Ki (劉紹基)	Flat 3, 8/F Kornhill (Block J) 31/33 Hong Yue Street Hong Kong	Chinese
Zhong Renqian (仲人前)	Room 2102, No. 65, 32 Zhongyuan Road Shanghai China	Chinese
Leung Ka Sing (梁嘉聲)	Flat B, 2/F Shung King Mansion 114 Boundary Street Ho Man Tin, Kowloon Hong Kong	Chinese

Please see the section headed "Directors and Senior Management" for further information.

Sole Sponsor and Sole Global Coordinator	**BOCI Asia Limited** 26th Floor Bank of China Tower 1 Garden Road Hong Kong
Joint Bookrunners and Joint Lead Managers	**BOCI Asia Limited** 26th Floor Bank of China Tower 1 Garden Road Hong Kong
	AMTD Global Markets Limited 23/F – 25/F, Nexxus Building 41 Connaught Road Central Hong Kong

China Industrial Securities International Capital Limited
7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Legal advisers to our Company	*As to Hong Kong law:* **Mayer Brown** 16th-19th Floors Prince's Building 10 Charter Road Central Hong Kong *As to Cayman Islands law:* **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands *As to PRC law:* **Jingtian & Gongcheng** 34th Floor, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 PRC

Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Eversheds Sutherland** 21st Floor Gloucester Tower, The Landmark 15 Queen's Road Central Central Hong Kong *As to PRC law:* **Jia Yuan Law Office** Room F408, Ocean Building 158 of Fuxing Men Nei Street Xicheng District Beijing PRC
Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* 22nd Floor CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai China

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	Room 602, Building 6 Lane 299, Bisheng Road Zhangjiang Hi-Tech Park Pudong New Area District Shanghai China
Principal place of business in Hong Kong	Room 1703 Grandtech Centre 8 On Ping Street, Sha Tin Hong Kong
Compliance adviser	**Ballas Capital Limited** Unit 1802, 18th Floor 1 Duddell Street Central Hong Kong
Company secretary	**Ms. Lam Wai Yan (林惠茵)**, *CPA* Flat J, 4/F Lai Yee Court 17 Nam Hong Street Shau Kei Wan Hong Kong
Authorised representatives	**Mr. Leung King Sun (梁景新)** Flat A, 18/F No. 1 Sai Wan Terrace Sai Wan Ho Hong Kong **Ms. Lam Wai Yan (林惠茵)**, *CPA* Flat J, 4/F Lai Yee Court 17 Nam Hong Street Shau Kei Wan Hong Kong

Alternate authorised representatives	Mr. Ho Kuk Sing Mr. Lau Siu Ki
Audit committee	Lau Siu Ki *(Chairman)* Zhong Renqian Leung Ka Sing
Remuneration committee	Lau Siu Ki *(Chairman)* Leung King Sun Leung Ka Sing
Nomination committee	Ho Kuk Sing *(Chairman)* Lau Siu Ki Leung Ka Sing
Principal share registrar and transfer office	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong (with effect from 11 July 2019: Level 54, Hopewell Centre 183 Queen's Road East Hong Kong)
Principal bankers	**Bank of China (Hong Kong) Limited (Hong Kong Branch)** 17/F, Bank of China Centre Olympian City 11 Hoi Fai Road West Kowloon Hong Kong

Bank of Communications Co. Ltd.
(Hong Kong Branch)
Suite 604-611
Tower 6, Gateway
Tsim Sha Tsui
Kowloon
Hong Kong

Hang Seng Bank (China) Limited
(Shanghai Branch)
35/F, Hang Seng Bank Tower
1000 Lujiazui Ring Road
Pudong, Shanghai
China

The Hongkong and Shanghai Banking
Corporation Limited
8/F Tower 2 HSBC Centre
1 Sham Mong Road
Tai Kok Tsui
Kowloon
Hong Kong

Company website address — **www.ivdholding.com**

(The information contained on the website of our Company does not form part of this prospectus)

The information presented in this section is derived from the Frost & Sullivan Report, as well as various official or publicly available publications. The information derived from the Frost & Sullivan Report reflects estimates of the market conditions based on information from various sources. See "Source and Reliability of Information." We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or adversely impact the quality of the information in this section. We, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or their respective affiliates or advisors or any other party involved in the Global Offering (save for Frost & Sullivan) have not independently verified, and make no representation as to, the accuracy of the information from official government or other third party sources. Such information may not be consistent with, and may not have been compiled with the same degree of accuracy or completeness as, other information compiled within or outside the PRC. Accordingly, the official government and other third party sources contained herein may not be accurate and should not be unduly relied upon.

SOURCE AND RELIABILITY OF INFORMATION

We commissioned Frost & Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on, the medical device market in the PRC, in particular with the IVD market in Shanghai and the PRC in general. Founded in 1961, Frost & Sullivan is an independent global consulting firm based in the United States, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB800,000, and is disclosed with the consent of Frost & Sullivan.

In compiling and preparing the research report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on its own database. Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment, the medical device market and the IVD segment in the PRC:

(i) The growth of the Chinese economy is likely to maintain at a steady rate in the next five years;

(ii) The key growth drivers mentioned in this section are likely to continue driving the growth of China medical device market from 2018 to 2023; and

(iii) There is no force majeure or industry regulation that will undramatically or dramatically affect any of such market.

Save as disclosed otherwise, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, the sources of information used in this section, which are extracted from the Frost & Sullivan Report, are reliable and not misleading as Frost & Sullivan is an independent professional market research agency with extensive experience, and there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

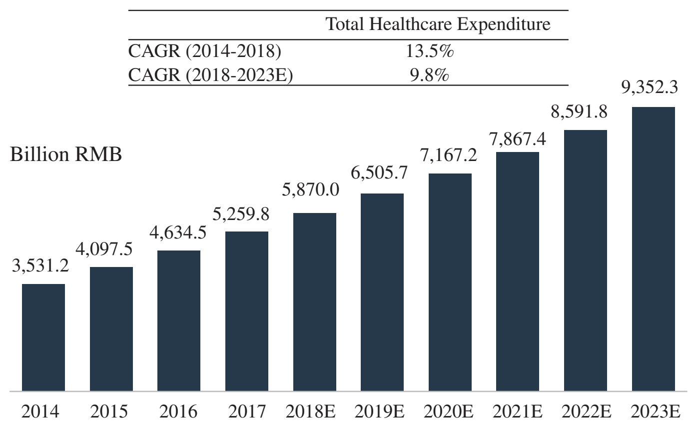
OVERVIEW

We operate our business in a rapidly growing and fast-evolving industry in China. We believe that the continual growth of the healthcare market in China is driven by a combination of favourable socioeconomic factors including (i) the growth of the Chinese people's disposal income and spending on healthcare, (ii) the size of the overall Chinese population and the accelerated ageing population, (iii) the size of China's economy, and (iv) strong support from the PRC government on healthcare spending as well as on continuous technological innovation. We expect these factors to continue to present significant growth potential for the PRC healthcare market in general, and the medical device market in particular.

Healthcare expenditure in China

According to calculations based on information from WHO, NBS, OECD and the estimation made by Frost & Sullivan, China ranked second globally in terms of total healthcare expenditure in 2017. According to the Frost & Sullivan Report, China's total healthcare expenditure has been growing steadily, which increased from approximately RMB3,531.2 billion in 2014 to approximately RMB5,870.0 billion in 2018, representing a CAGR of approximately 13.5% from 2014 to 2018. The total healthcare expenditure is projected to reach approximately RMB9,352.3 billion by 2023, representing a CAGR of approximately 9.8% from 2018 to 2023. The following chart sets forth the total healthcare expenditure in China from 2014 to 2018 and the forecast from 2018 to 2023:

Total Healthcare Expenditure of China, 2014-2023E



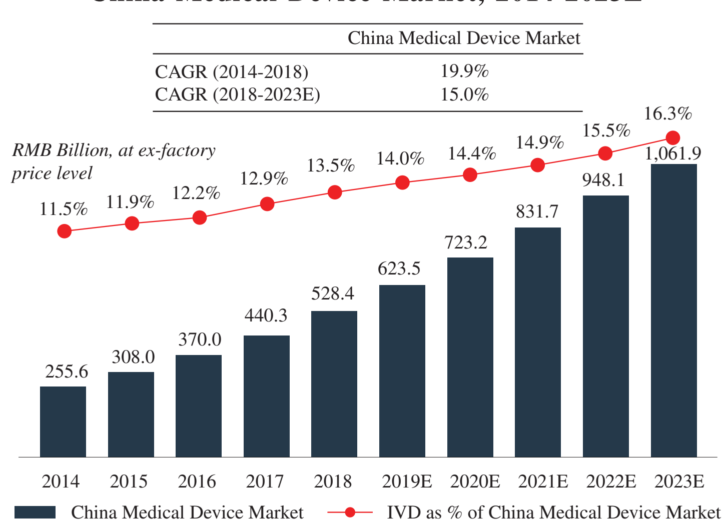
Source: NHFPC, WHO, Frost & Sullivan Report

MEDICAL DEVICE MARKET IN CHINA

Market size of medical device market in China

According to the Frost & Sullivan Report, the size of China medical device market in terms of sales revenue was approximately RMB528.4 billion in 2018, representing a CAGR of approximately 19.9% from 2014 to 2018. IVD is the second largest segment in China medical device market with a share of 13.5% in terms of sales revenue in 2018. The demand of medical device market in China is expected to continue to increase given the accelerated ageing population and increasing investment in the healthcare section from the PRC government. It is projected that the market size of China medical device in terms of sales revenue will reach approximately RMB1,061.9 billion in 2023, representing a CAGR of approximately 15.0% from 2018 to 2023.

Historical and Forecasted Market Size of China Medical Device Market, 2014-2023E



Source: China Medical Pharmaceutical Material Association, Frost & Sullivan

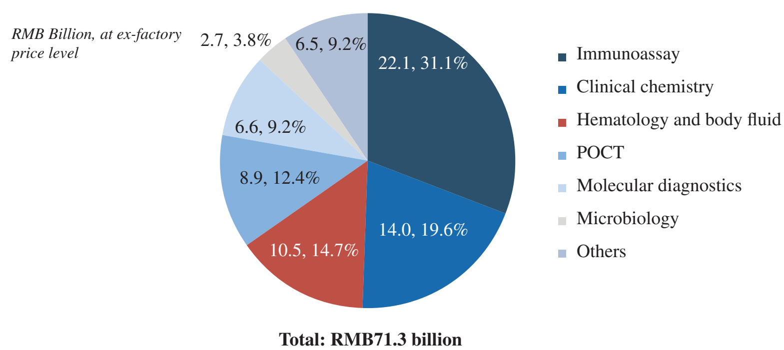
IVD MARKET IN CHINA

Overview of IVD

IVD is used to diagnose, monitor, screen and assess predispositions to diseases. Advantages of using IVD include (i) reducing hospital stays and convalescences; and (ii) providing more precise and scientific guidance on clinical decisions as to the most appropriate treatment or intervention.

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

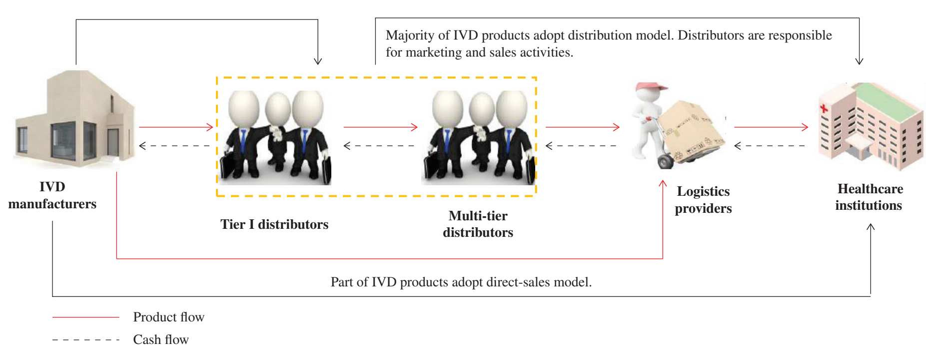
Breakdown of China IVD Market, 2018



Source: Frost & Sullivan Report

Value chain of IVD industry in China

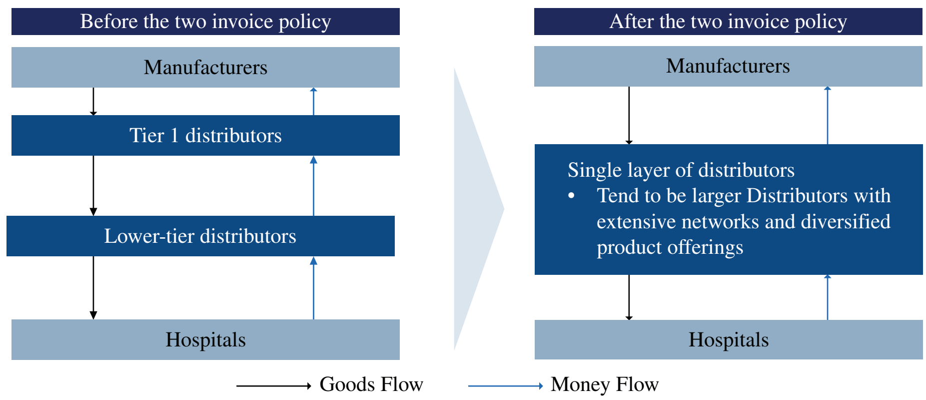
The distribution model is the dominate business model in respect of the IVD industry in China. Stakeholders involved in the value chain of the distribution model are manufacturers, distributors (including multi-layer distributors), logistics distributors as well as hospitals and other healthcare institutions. In 2018, approximately 85% of the IVD market by revenue adopt the distribution model where distributors are also responsible for marketing and sales activities with end customers, including both logistics providers and hospitals and other healthcare institutions.



Source: Frost & Sullivan Report

With the upcoming nationwide application of the "two invoice system", we are expecting to see that (i) the value chain of the medical device industry will be shortened and as a result of which the market concentration rate will increase significantly; and (ii) capable distributors will transform to become integrated distribution service providers and continue to provide marketing and sales services to hospitals and other healthcare institutions. Please refer to the sections headed "Regulatory Overview – Two invoice system" and "Business – Measures to mitigate the adverse impacts from the implementation of the "two invoice system" of this prospectus for more details.

According to the Frost & Sullivan Report, if the "two invoice system" is launched in the other Areas, it is expected that (i) the distribution value chain will be compressed into one single layer; (ii) manufacturers will only be allowed to utilise one layer of distributors to deliver products which presents a serious challenge for traditional lower-tier medical device distributors; and (iii) larger or leading distributors will look to acquire strong regional distributors to build up their account and regional coverage. As a result, lower-tier distributors are likely to be squeezed out of the market by such consolidating competition.

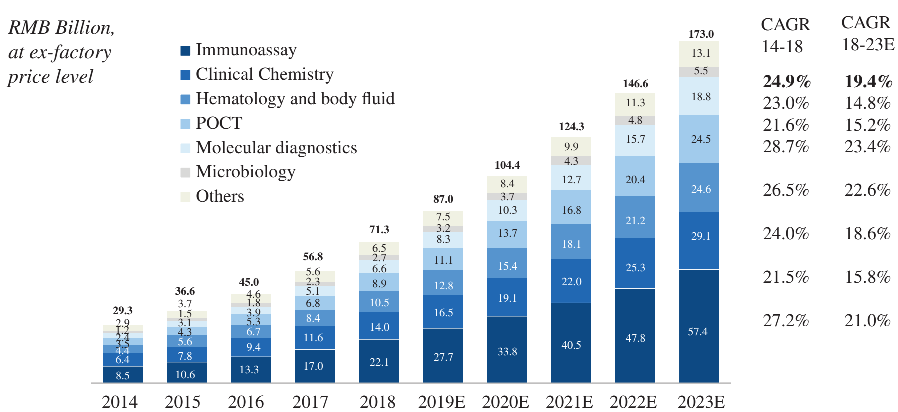


Source: Frost & Sullivan Report

Overview of the China IVD market

According to Frost & Sullivan, the China IVD market has increased from approximately RMB29.3 billion in 2014 to approximately RMB71.3 billion in 2018. China IVD market is projected to reach approximately RMB173.0 billion by 2023, representing a CAGR of approximately 19.4% from 2018 to 2023, as a result of the aggravating trends of an ageing population, the growth of medical expenses per capita and the technological progress in China. It is estimated that the share of IVD in the total medical device market in China will grow from approximately 13.5% in 2018 to approximately 16.3% in 2023.

Breakdown of China IVD Market By Segment, 2014-2023E

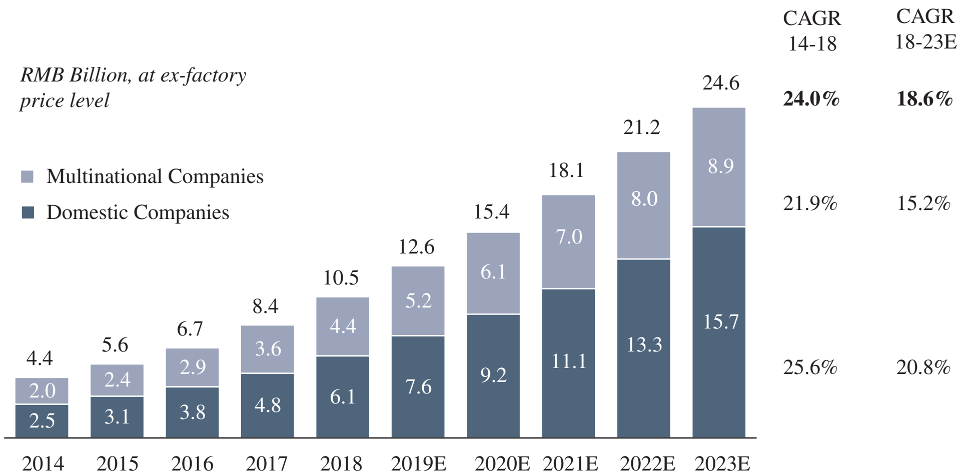


Source: Frost & Sullivan Report

Overview of China's haematology and body fluid IVD market

According to Frost & Sullivan, the haematology and body fluid IVD market is fragmented in China and domestic products accounts for more than half of the market. The China domestic companies haemostasis and body fluid IVD market increased from approximately RMB2.5 billion in 2014 to approximately RMB6.1 billion in 2018, representing a CAGR of approximately 25.6% from 2014 to 2018. It is projected that the China domestic companies haemostasis and body fluid IVD market will maintain a steady growth and reach approximately RMB15.7 billion by 2023, representing a CAGR of approximately 20.8% from 2018 to 2023. The China multinational companies haemostasis and body fluid IVD market increased from approximately RMB2.0 billion in 2014 to approximately RMB4.4 billion in 2018, representing a CGAR of approximately 21.9% from 2014 to 2018. The China multinational companies haemostasis and body fluid IVD market is estimated to reach approximately RMB8.9 billion by 2023, representing a CAGR of approximately 15.2% from 2018 to 2023.

Breakdown of China Hematology and Body Fluid IVD Market By MNC and Domestic Companies, 2014-2023E

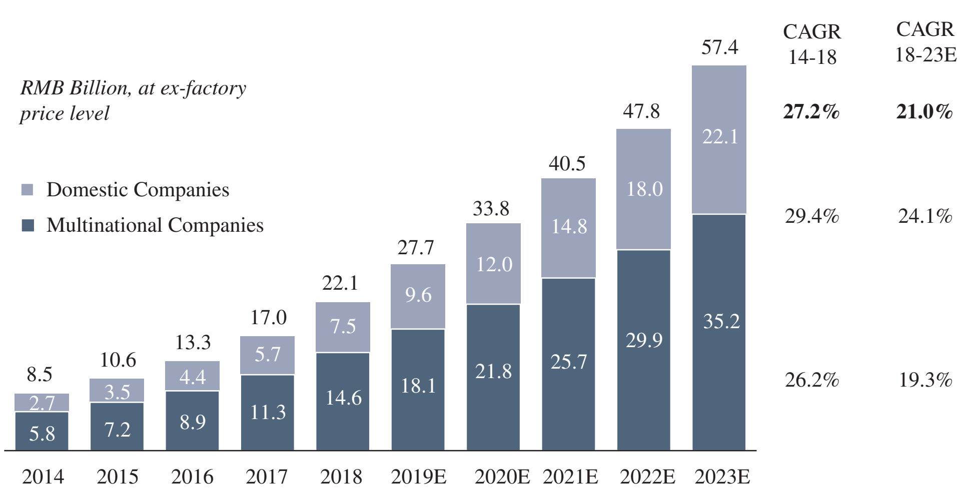


Source: Frost & Sullivan Report

Overview of China's Immunoassay IVD market

According to Frost & Sullivan, the China multinational companies immunoassay IVD market increased from approximately RMB5.8 billion in 2014 to approximately RMB14.6 billion in 2018, representing a CAGR of approximately 26.2% from 2014 to 2018. It is projected that the China multinational companies immunoassay IVD market will maintain a double-digit growth and reach approximately RMB35.2 billion by 2023, representing a CAGR of approximately 19.3% from 2018 to 2023. Compared to the China multinational companies immunoassay IVD market, the China domestic companies immunoassay IVD market had a stronger growth and increased from approximately RMB2.7 billion in 2014 to approximately RMB7.5 billion in 2018, representing a CAGR of approximately 29.4% from 2014 to 2018. It is projected that the China domestic companies immunoassay IVD market will further increase to approximately RMB22.1 billion by 2023, representing a CAGR of approximately 24.1% from 2018 to 2023 due to replacement of foreign products with domestic products.

Breakdown of China Immunoassay IVD Market By MNC and Domestic Companies, 2014-2023E

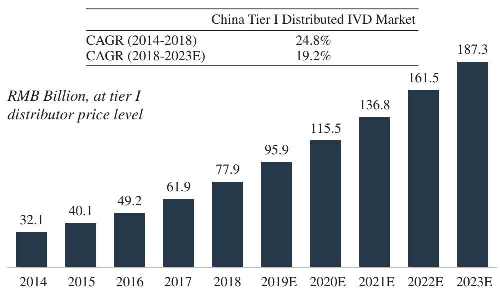


Source: Frost & Sullivan Report

China tier 1 distributed IVD market

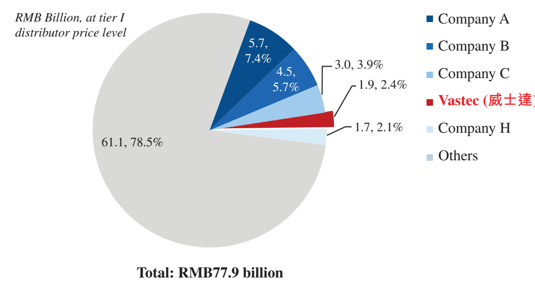
The current China IVD market has a multi-tier distribution structure. According to Frost & Sullivan, IVD sales revenue generated by tier 1 distributors in China has increased from approximately RMB32.1 billion in 2014 to approximately RMB77.9 billion in 2018. It is projected that by 2023, the China tier 1 distributed IVD market will reach approximately RMB187.3 billion with a CAGR of approximately 19.2% from 2018 to 2023.

Historical and Forecasted Market Size of China Tier I Distributed IVD Market, 2014-2023E



Source: Frost & Sullivan Report

Competitive Landscape of China Tier I Distributed IVD Market, 2018



Source: Frost & Sullivan Report

The top five IVD distributors in China in 2018 (Ranked by revenue)

Rank	Name of Company	Headquarter Location	Share of Total Industry Revenue	Business Segments	IVD Customer Types	IVD Product Types	IVD Product Functions
1.	Company A	Shanghai, the PRC	7.4%	IVD distribution, IVD manufacturing	Healthcare institutions and regional distributors	Clinical chemistry, immunoassay, microbiology, molecular diagnosis, haematology and body fluid	Detect and quantify different compounds in blood and urine; detect body indication such as liver function, plasma lipid, kidney function and hemoglobin A1c etc.; detect antigens associated with organisms; detect agents of infectious disease; and detect and analyze DNA, RNA, or the expression of proteins
2.	Company B	Hangzhou, the PRC	5.7%	IVD distribution, IVD manufacturing, independent clinical laboratory services	Healthcare institutions and regional distributors	Clinical chemistry, immunoassay, microbiology, molecular diagnosis, haematology and body fluid	Detect and quantify different compounds in blood and urine; detect body indication such as liver function, plasma lipid, kidney function and hemoglobin A1c etc.; detect antigens associated with organisms; detect agents of infectious disease; and detect and analyze DNA, RNA, or the expression of proteins
3.	Company C	Shanghai, the PRC	3.9%	IVD distribution, medical imaging product distribution and manufacturing	Healthcare institutions and regional distributors	Molecular diagnosis, microbiology	Detect agents of infectious disease and detect and analyze DNA, RNA, or the expression of proteins

Rank	Name of Company	Headquarter Location	Share of Total Industry Revenue	Business Segments	IVD Customer Types	IVD Product Types	IVD Product Functions
4.	Vastec	Shanghai, the PRC	2.4%	IVD distribution, maintenance of haemostasis analysers	Hospitals and healthcare institutions and distributors	Haematology and body fluid and immunoassay	Detect and quantify different compounds in blood and urine and detect antigens associated with organisms
5.	Company H	Chengdu, the PRC	2.1%	IVD development, manufacturing, marketing and servicing	Hospitals, healthcare institutions and distributors	Clinical chemistry, immunology, haemostasis and blood cell counting, POCT	Detect and quantify various compounds in blood, including viruses such as human immunodeficiency virus, and hepatitis C virus antibodies, as well as influenza type A virus antigens
Others			78.5%				
Total			100%				

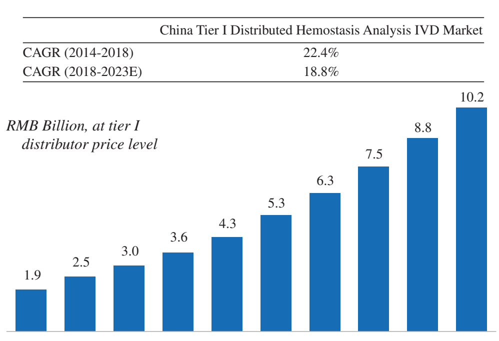
The top five tier 1 IVD distributors are Company A, Company B, Company C, Vastec and Company H, with a market share of approximately 7.4%, 5.7%, 3.9%, 2.4% and 2.1%, respectively. Vastec ranked fourth among all tier 1 distributors in China, with a sales revenue of approximately RMB1.9 billion in 2018.

China haemostasis analysis IVD market

The haemostasis analysis market in China is centralised and dominated by a few overseas brand manufacturers including Sysmex, Stago and Werfen with a market share of approximately 43.9%, 24.2% and 17.0%, respectively by revenue in 2018.

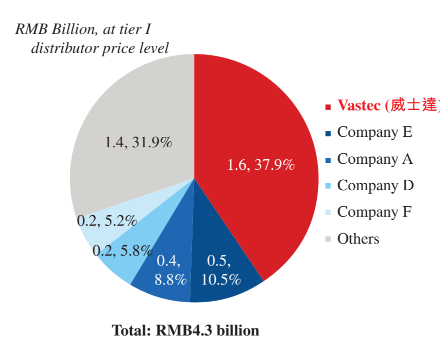
China tier 1 distributed haemostasis analysis IVD market refers to haemostasis analysis IVD sales revenue generated by all tier 1 distributors in China. Such revenue is based on the sales revenue of haemostasis analysis IVD products sold via China tier 1 distributor channel calculated at ex-factory price level combined with a corresponding markup. The market size of China tier 1 distributed haemostasis analysis IVD products has increased from approximately RMB1.9 billion in 2014 to approximately RMB4.3 billion in 2018. By 2023, China tier 1 distributed haemostasis analysis IVD market is projected to reach approximately RMB10.2 billion with a CAGR of approximately 18.8% during 2018 to 2023.

Historical and Forecasted Market Size of China Tier I Distributed Hemostasis Analysis IVD Market, 2014-2023E



Source: Frost & Sullivan Report

Competitive Landscape of China Tier I Distributed Hemostasis Analysis IVD Market, 2018



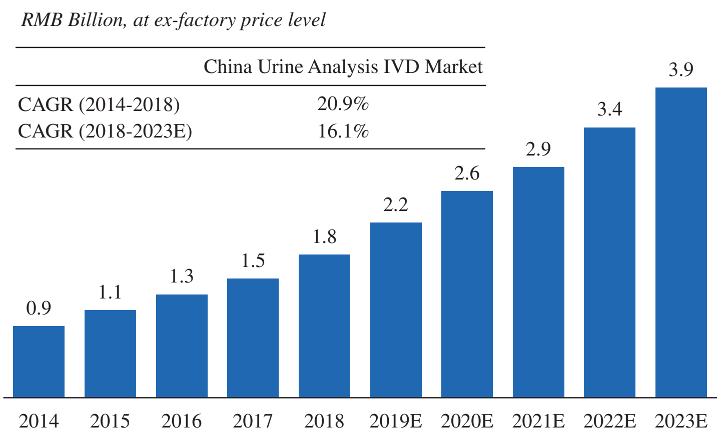
Source: Frost & Sullivan Report

Vastec which distributes Sysmex haemostasis products has the largest market share of the China tier 1 distributed haemostasis analysis IVD market, accounting for approximately 37.9% of the market, followed by Company E, Company A, Company D and Company F with a market share of approximately 10.5%, 8.8%, 5.8% and 5.2%, respectively by revenue in 2018.

China urinalysis IVD market

According to Frost & Sullivan, the size of the China urinalysis IVD market has increased from approximately RMB0.9 billion in 2014 to approximately RMB1.8 billion in 2018. By 2023, the China urinalysis IVD market is expected to grow to approximately RMB3.9 billion, with a CAGR of approximately 16.1% from 2018 to 2023. In general, domestic brand manufactures are the market leaders in China urinalysis IVD market by revenue. The top three manufactures in the China urinalysis IVD market are Urit, Sysmex and Dirui with a market share of approximately 34.3%, 29.7% and 12.3%, respectively by revenue in 2018.

Historical and Forecasted Market Size of China Urine Analysis IVD Market, 2014-2023E



Source: Frost & Sullivan Report

Growth drivers of the IVD market in China

- ***Ageing population and increasing disposable income***

According to the statistics published by NBS, the number of elderly people (i.e. aged 65 years old or above) in China has reached approximately 166.6 million in 2018, accounted for approximately 11.9% of its total population, and the number of elderly people is expected to continue growing in the future. Due to the gradual decline of overall metabolic and immune capacities of elderly people, they are more prone to chronic diseases. Ageing has become a common risk factor for a number of chronic diseases including diabetes, hypercholesteremia and dyslipidaemia etc. IVD products can assist the diagnosis and monitoring of such chronic diseases. Patients with diabetes need glucometer to monitor the gluose concentration in blood. Patients with hypercholesteremia need cholesterol detection and dyslipidaemia need blood lipid detection by biochemical analysis. The increasing prevalence of chronic diseases among ageing population will stimulate the growth of IVD demand accordingly. Moreover, resident's per capita annual disposable income in China has witnessed a fast growth for the past five years, increasing from approximately RMB20,167.1 in 2014 to approximately RMB28,228.0 in 2018. This increasing purchasing power and healthcare awareness will further spur the increasing demand for IVD products and services.

- ***Continuous technological innovation***

Patients and society as a whole are facing increasing economic pressures as a consequence of the increasingly prevalence of cancer. Next generation sequencing drives the wide application of precision medicine, in particular with early tumor screening. We have seen the advantages of non-invasive prenatal testing which assesses genetic risks before birth in both safety and sensitivity, and is expected to be adopted in large scale to avoid birth defects. We are expecting to witness innovations in IVD technology to continuously drive the market growth by fulfilling various clinical needs that cannot be addressed previously.

- ***Strong policy support***

The PRC government has issued a series of policies to encourage innovation and promote the IVD market. The "13th Five-Year" National Strategic Emerging Industries Development Plan aims to promote the development of IVD products with novel technologies such as high-specific molecular diagnostics and biochips in order to support rapid and accurate diagnostic screening for tumors, genetic diseases and rare diseases. Medium- and Long-term Plan for Chronic Disease Prevention and Treatment (2017-2025) 《中國防治慢性病中長期規劃(2017-2025年)》 further sets a clear goal to manage chronic diseases including diabetics and oncology, which will require regular examinations using IVD products and services.

- ***Hierarchical healthcare system and medical partnership***

As part of the healthcare system reform in China, a hierarchical healthcare system is established to enhance the management of chronic diseases such as diabetes. The system emphasises the division of treatment of urgent and chronic diseases (急慢分治) and would greatly improve the accessibility of IVD services. More patients are willing to take IVD tests at healthcare institutions which are close by their residential areas instead of going to the hospitals with full services for convenient diagnosis. Moreover, Guiding Opinions on Promoting Establishment and Development of Medical Partnerships (《國務院辦公廳關於推進醫療聯合體建設和發展的指導意見》) encourages medical partnership, which aims to promote effective cooperation and coordination between different levels of hospitals and other healthcare institutions, to provide integrated services by building medical imaging centres and examination centres, which will further stimulate the consumption of IVD services in the future.

Future trends of the IVD market in China

- ***Continuous market growth***

Compared with mature IVD services markets in developed countries, the China IVD market is still in its infancy stage. Due to the improving affordability of patients and the accessibility of medical service as well as strong policy stimulus from the PRC government, we estimate that the China IVD market will continue to maintain a healthy growth momentum over the next few years. It is estimated that the IVD market in China will increase to approximately RMB173.0 billion by 2023, growing from approximately RMB71.3 billion in 2018, with a CAGR of approximately 19.4%.

- ***Hospitals' increasingly reliance on IVD services***

Hospital accounts for a large portion of both healthcare services revenue and patient volume. The total revenue of hospitals has grown from approximately RMB1,774.9 billion in 2013 to approximately RMB2,866.0 billion in 2017 and the portion of hospital revenue over the total revenue of all hospitals and other healthcare institutions in China has reached approximately 77.5% in 2017. With the implementation a "zero-mark up" policy and reducing revenues from pharmaceutical sales, hospital has to swift to other services to make up for the gap. Examination, which has been previously overlooked, is believed to play an increasingly important role in the healthcare service market in the future.

- ***Expanding reach of domestic manufacturers***

Domestic brand manufacturers are already leaders in some IVD categories, including the Enzyme-linked Immuno Sorbet Assay. With a pricing advantage, domestic manufacturers have obtained an increasing share in lower-end market such as low-level hospitals and primary healthcare institutions. With further investment in the research and development together with favourable policies on domestic substitution, domestic brand manufactures are expected to further diversify their product portfolio and extend their market coverage to premium end-consumers such as high-level hospitals.

- ***Prevalence of the centralised procurement business***

For the more sophisticated classifications of IVD products and services, the relevant management costs of IVD consumables have been on the rise. In order to save costs and increase efficiency, hospitals are more willing to delegate the management of inventory, logistics and procurement of IVD products and services to third party professional service providers.

- ***Increasing ICL outsourcing services***

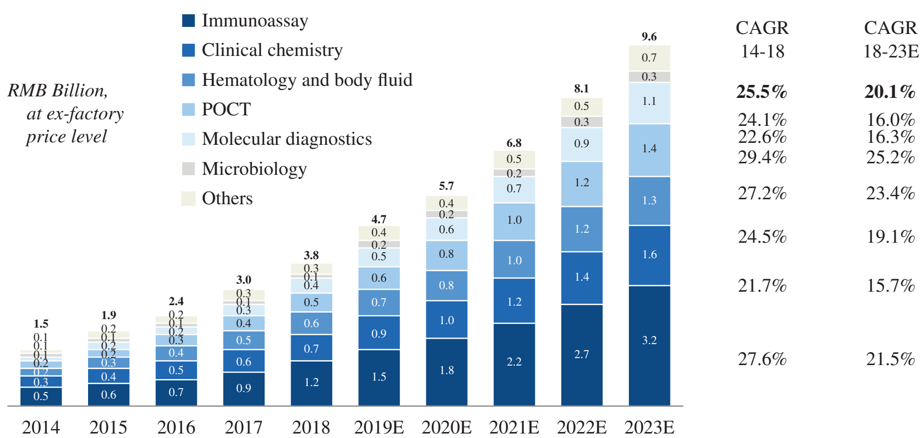
In the past, almost 90% of IVD testings were performed in the clinical laboratories of hospitals in China. The development of IVD technologies contributes to the increasing costs for such cutting-edge facilities, and as a result of which small and mid-scale hospitals will not have sufficient funding to upgrade their clinical laboratories with such cutting-edge facilities. Moreover, outsourcing non-core business such as examinations to emerging ICL can effectively save costs on staffing and facility. As a result, ICL outsourcing is getting increasingly common and the development of ICL will further boost the IVD market in China.

IVD MARKET IN SHANGHAI

Overview of the Shanghai IVD market

Shanghai is one of the largest IVD markets in China, with a market size in terms of sales revenue of approximately RMB3.8 billion in 2018, growing from approximately RMB1.5 billion in 2014. Immunoassay, clinical chemistry and haematology and body fluid analysis are also the top three categories in Shanghai IVD market by revenue in 2018, with an accumulative market share of approximately 65.6%. Haematology and body fluid analysis segment (including haemostasis and urinalysis) ranked third in Shanghai, with a market share of approximately 14.7% by revenue in 2018. The market size of the Shanghai IVD market is project to reach approximately RMB9.6 billion by 2023, with a CAGR of approximately 20.1% from 2018 to 2023.

Breakdown of Shanghai IVD Market By Segment, 2014-2023E

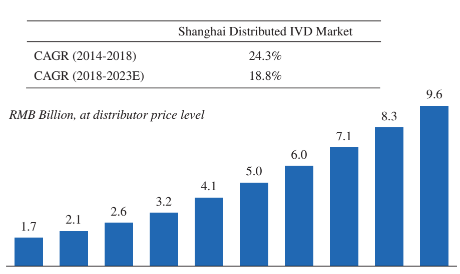


Source: Frost & Sullivan Report

Shanghai distributed IVD market

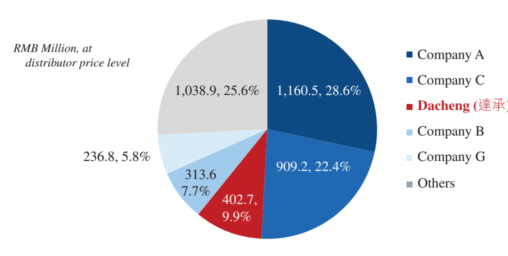
The Shanghai distributed IVD market refers to IVD sales revenue generated by all distributors in Shanghai. Such revenue is based on the sales revenue of IVD products sold via Shanghai distributor channel calculated at ex-factory price level combined with corresponding markup. According to Frost & Sullivan, the Shanghai distributed IVD market has increased from approximately RMB1.7 billion in 2014 to approximately RMB4.1 billion in 2018. By 2023, the Shanghai distributed IVD market is projected to reach approximately RMB9.6 billion with a CAGR of approximately 18.8% from 2018 to 2023.

Historical and Forecasted Market Size of Shanghai Distributed IVD Market, 2014-2023E



Source: Frost & Sullivan Report

Competitive Landscape of Shanghai Distributed IVD Market, 2018



Source: Frost & Sullivan Report

Note:

(1) As Dacheng has been a regional distributor of Sysmex' haemostasis products in Shanghai for Vastec. Vastec is not included in the analysis of the competitive landscape of Shanghai to avoid any double-counting issue.

The top three IVD distributors in Shanghai are Company A, Company C and Dacheng, with a market share of approximately 28.6%, 22.4% and 9.9%, respectively.

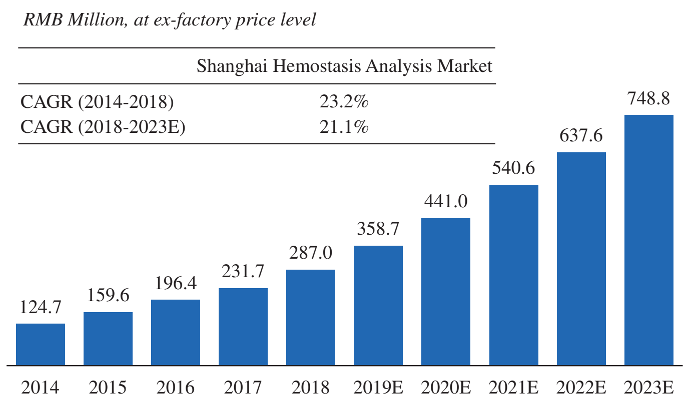
The top five IVD distributors in Shanghai in 2018 (Ranked by revenue)

Rank	Name of Company	Headquarter Location	Share of Total Industry Revenue	Business Segments	IVD Customer Types	IVD Product Types	IVD Product Functions
1.	Company A	Shanghai, the PRC	28.6%	IVD distribution and IVD manufacturing	Healthcare institutions and regional distributors	Clinical chemistry, immunoassay, microbiology, molecular diagnosis, haematology and body fluid	Detect and quantify different compounds in blood and urine; detect body indication such as liver function, plasma lipid, kidney function and hemoglobin A1c etc.; detect antigens associated with organisms; detect agents of infectious disease; and detect and analyze DNA, RNA, or the expression of proteins
2.	Company C	Shanghai, the PRC	22.4%	IVD distribution and medical imaging product distribution and manufacturing	Healthcare institutions and regional distributors	Molecular diagnosis, microbiology	Detect agents of infectious disease and detect and analyze DNA, RNA, or the expression of proteins
3.	Dacheng	Shanghai, the PRC	9.9%	IVD distribution	Healthcare institutions and regional distributors	Haematology and body fluid, immunoassay, clinical chemistry and POCT	Detect and quantify different compounds in blood and urine; detect body indication such as liver function, plasma lipid, kidney function and hemoglobin A1c etc.; detect antigens associated with organisms; POCT function
4.	Company B	Hangzhou, the PRC	7.7%	IVD distribution, IVD manufacturing and independent clinical laboratory services	Healthcare institutions, distributors and logistics providers	Clinical chemistry, immunoassay, microbiology, molecular diagnosis, haematology and body fluid	Detect and quantify different compounds in blood and urine; detect body indication such as liver function, plasma lipid, kidney function and hemoglobin A1c etc.; detect antigens associated with organisms; detect agents of infectious disease; and detect and analyze DNA, RNA, or the expression of proteins
5.	Company G	Shanghai, the PRC	5.8%	IVD Distribution, IVD manufacturing and independent clinical laboratory services	Healthcare institutions and regional distributors	Haematology, urinalysis, immunoassay, microbiology, clinical chemistry	Detect and quantify different compounds in blood and urine; detect body indication such as liver function, plasma lipid, kidney function and hemoglobin A1c etc.; detect antigens associated with organisms; detect agents of infectious disease; and detect and analyze DNA, RNA, or the expression of proteins
Others			25.6%				
Total			100%				

Shanghai haemostasis analysis IVD market

According to Frost & Sullivan, the Shanghai haemostasis analysis market has reached approximately RMB287.0 million in 2018 and is expected to grow to approximately RMB748.8 million by 2023, representing a CAGR of approximately 21.1% from 2018 to 2023.

Historical and Forecasted Market Size of Shanghai Hemostasis Analysis Market, 2014-2023E



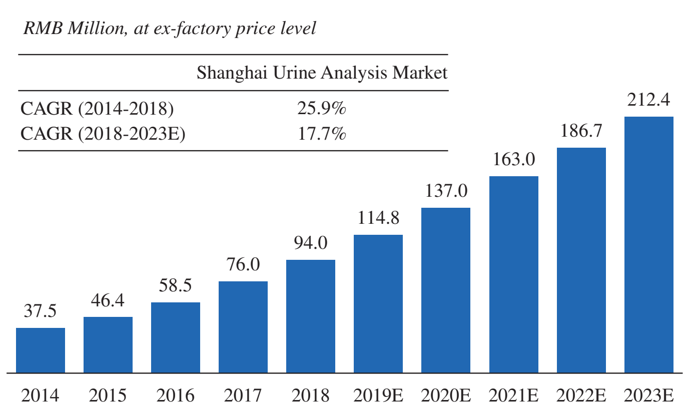
Source: Frost & Sullivan Report

The top three manufacturers in the Shanghai haemostasis analysis market are Sysmex, Stago and Werfen, with a market share of approximately 54.4%, 22.6% and 17.0%, respectively, by revenue in 2018.

Shanghai urinalysis IVD market

According to Frost & Sullivan, the Shanghai urinalysis market has reached approximately RMB94.0 million in 2018 and is expected to grow to approximately RMB212.4 million by 2023, representing a CAGR of approximately 17.7% from 2018 to 2023.

Historical and Forecasted Market Size of Shanghai Urine Analysis Market, 2014-2023E



Source: Frost & Sullivan Report

The top three manufacturers in the Shanghai urinalysis market are Sysmex, Urit and Dirui, with a market share of approximately 44.8%, 30.0% and 13.9%, respectively, by revenue in 2018.

Growth drivers of the Shanghai IVD market

- ***Increasing patient visits***

With the public becoming increasing health conscious and with an ageing population, the number of patient visits in Shanghai has been increasing incrementally, reaching to approximately 269.7 million in 2017, representing a CAGR of approximately 3.3% from 2013 to 2017, outgrowing the nationwide growth rate during the same period. We believe that this demonstrates a fast-growing demand for healthcare services in Shanghai driven by this, the Shanghai IVD market will be significantly boosted in the future.

- ***Improving affordability***

The annual personal disposable income of Shanghai residents has been growing rapidly in the past five years, increasing at a CAGR of approximately 7.7% from RMB47,710.0 in 2014 to approximately RMB64,183.0 in 2018, which is two times more than that of the national level in China. Also, per capita healthcare expenditure in Shanghai has achieved approximately RMB7,596.0 in 2017, which is the second highest among all provinces and regions in China. The growth of per capita annual income and healthcare expenditure in Shanghai shows an increasing purchasing power and health awareness among the population in Shanghai, which further benefits IVD consumption in the region.

- ***Abundant medical resources***

Shanghai has abundant and high-quality medical resources. There are approximately 15.1 hospitals and 1.9 Class III hospitals per million population, and per ten thousand residents, there are approximately 7.7 medical staff and 2.8 doctors. Such high quality medical resources also attract patients from surrounding regions to seek quality medical services in Shanghai. Influenced by such trends, it is expected that IVD consumption in Shanghai will be further boosted in the future.

This section sets forth a summary of certain aspects of Chinese and Hong Kong laws, rules and regulations, which are relevant to our business and operations in China and Hong Kong.

REGULATIONS RELATING TO WHOLLY FOREIGN-OWNED ENTERPRISE

Investment in China conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the "**Catalogue**"), which was amended by the MOFCOM and National Development and Reform Commission (the "**NDRC**") on 28 June 2017, and was revised by Special Administrative Measures on Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施 (負面清單)(2018年版)》) on 28 July 2018. Any industry not listed in the Catalogue and Negative List is a permitted industry, and is generally open to foreign investment unless specifically prohibited or restricted by the Chinese laws and regulations. According to the Catalogue, medical devices industry that the Company engaged in is classified under "permitted" categories.

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) (the "**Wholly Foreign-owned Enterprise Law**"), which was promulgated on 12 April 1986 and amended on 31 October 2000 and Implementation Regulations under the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施細則》), which was promulgated on 12 December 1990, newly amended on 19 February 2014, and effective as from 1 March 2014.

The Wholly Foreign-owned Enterprise Law was further revised by the Standing Committee of the National People's Congress (the "**SCNPC**") on 3 September 2016 and has become effective from 1 October 2016. According to Decision on Revising Four Laws including the Foreign-invested Enterprise Law of the People's Republic of China (全國人民代表大會常務委員會關於修改《中華人民共和國外資企業法》等四部法律的決定), for wholly foreign-owned enterprise which the special entry management measures does not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be reported for record. The special entry management measures stipulated by the State shall be promulgated or approved to be promulgated by the State Council. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on 8 October 2016, amended on 30 July 2017, and 29 June 2018, establishment and modifications of foreign-invested enterprises not subject to the approval under the special entry management measures shall carry out the record-filing work online when applying for establishment or modifications registration with delegated Administration of Industry and Commerce.

REGULATIONS RELATING TO MEDICAL DEVICES

General regulatory framework

The medical device industry in China is subject to strict and extensive regulation and review by governmental authorities. NDRC is responsible for organising the implementation of policies for the medical device industry, conducting research on the intended industry development plans, supervising the structural realignments within the industry and implementing industry management. Besides, NHFPC is responsible for the formulation of health reform and development strategies, plans and guidance policies, drafting of provisional laws and regulations relating to medical devices, development of regulations of medical devices, and formulation of relevant standards and technical specifications. In addition, the NMPA is responsible for providing administrative supervision and technological management of research, manufacture, distribution and application of medical devices.

Manufacturers of medical devices are subject to regulations and oversight by NMPA and the local food and drug administrative authorities. We are also subject to other Chinese laws and regulations applicable to manufacturers in general. NMPA's requirements include obtaining production permits, product registrations and compliance with clinical testing standards, manufacturing practices, pricing practices, quality standards, applicable industry standards, reporting procedures with respect to adverse events and advertising and packaging standards.

Classification of medical devices

In China, medical devices are classified into three different categories, Class I, Class II and Class III based on the invasiveness of and risks associated with each medical device. The classification of a medical device also determines the types of product registration certificates required and the level of regulatory authority involved in granting the product registration certificates. The class to which a medical devices is assigned determines whether a manufacturer needs to obtain a production permit and the level of regulatory authority involved in granting such permit. The Regulations on the Supervision of Medical Devices (《醫療器械監督管理條例》), which was promulgated by the State Council of China and became effective as of 1 April 2000, and amended on 7 March 2014 and 4 May 2017, the last amendment came into force on 4 May 2017, regulates activities in forms of research and development, manufacture, operation and utility as well as supervision and administration of medical devices in the PRC. In accordance to the Regulations on the Supervision of Medical devices, Class I medical devices shall refer to those devices with low risk whose safety and effectiveness can be guaranteed through routine administration. Class II medical devices shall refer to those devices with moderate risk whose safety and effectiveness should be ensured by strict control and administration. Class III medical devices shall refer to those devices with relatively high risk whose safety and effectiveness should be ensured by taking special measures to conduct strict control and administration.

Our business activities are mainly divided into distribution, solution segment and self-branding of IVD products, including clinical chemistry, haematology and body fluid, immunoassay, microbiology testing and point-of-care testing. Most of our productions are classified as Class III devices and Class II devices.

Product registration certificate

Pursuant to the Regulations on the Supervision of Medical Devices, the food and drug supervision and administration department under the State Council shall be responsible for the supervision and administration of medical devices throughout the country. The relevant departments of the State Council shall be responsible for the supervision and administration related to medical devices within their scope of duties respectively. The food and drug supervision and administration departments of the local people's governments at county level or above shall be responsible for the supervision and administration of medical devices within their respective administrative regions. The relevant departments of the local people's governments at county level or above shall be responsible for the supervision and administration related to medical devices within their respective scope of duties.

Pursuant to the Administrative Measures for the Medical Devices Registration (《醫療器械註冊管理辦法》) promulgated by NMPA on 30 July 2014 and came into force on 1 October 2014, Class I medical devices are required to file with the competent branch of NMPA at the city-level which they are located. Moreover, Class II medical devices is subject to the inspection and approval of the competent branch of NMPA at provincial level, and the grant of product registration certificates. Furthermore, Class III medical devices shall be reviewed and be granted by product registration certificates by the NMPA.

The medical device registration certificate is valid for five years and the holder of which shall apply for extension within six months prior to its expiration. Generally, clinical trial is necessary for the production of Class II and Class III medical devices. Clinical trial is not required under any of the following circumstances:

(a) medical devices with detailed operation mechanism, fixed design and mature manufacturing technology, while the same types of medical devices in the market have no record of severe adverse events after years of clinical application, and there are no changes on its ordinary usage;

(b) medical devices that are proven to be safe and effective through non-clinical evaluation;

(c) medical device that are proven to be safe and effective through the clinical trial conducted on the same types of medical devices or analytical evaluation on information obtained from clinical application.

Since the Company intends to research and develop CRP Analysers and Immuno Luminance Analysers in the future, according to the Medical Device Classification Catalogue (《醫療器械分類目錄》) issued by the NMPA on 31 August 2017 and became executive on 1 August 2018, both analysers belong to the Class II medical devices which is subject to application for registration to use or distribute. According to the List of Medical Devices Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》) issued by the NMPA on 28 September 2018, both analysers are medical devices exempt from clinical trials as confirmed by the Company. Therefore, the application for clinical trials of medical devices to provincial drug regulatory authorities is not mandatory. For the purpose of registration testing required in the process of applications for the registration of Class-II devices, the technical requirements for the products to be registered or filed shall be prepared according to Administrative Measures for the Medical Devices Registration. The technical requirements of the product mainly include the performance indicators and inspection method of the end product. The performance indicators refer to the functional and safety indicators of the end product which can be objectively reflected and other indicators related to quality control. The technical requirements of the product shall be in accordance with the relevant requirements of the Guidelines for the Preparation of Technical Requirements for Medical Device Products (《醫療器械產品技術要求編寫指導原則》) issued by the NMPA on May 30, 2014. The applicant shall provide the medical device inspection institution with the relevant technical materials, registration test samples and product technical requirements required for the registration inspection. The medical device inspection agency shall conduct the registration inspection of the relevant products according to the technical requirements of the product, and the application shall be triggered only after the qualified registration testing. If the Company further intends to apply for the registration of the above mentioned analysers (ie. to obtain the product registration certificate), in addition to the technical requirements for products, shall submit the following materials pursuant to Regulations on the Supervision of Medical Devices:

(1) materials for analysis of product risks;

(2) products inspection report;

(3) clinical assessment materials;

(4) products specification and label sample;

(5) quality management system documents related to the research and production of products; and

(6) other materials necessary for proving the safety and effectiveness of products.

Production permit

Pursuant to the Regulations on the Supervision of Medical Devices, in addition to the required product registration certificates, a manufacturer must accomplish the registration of product, and obtain a production permit from the respective level of the competent branch of NMPA before commencing the manufacture of Class II and III medical devices. The establishment of an enterprise which conducts the manufacture of Class I medical devices shall carry out record-filing with the drug administrative authorities of PRC government of prefecture-level cities. Meanwhile, manufacture of Class II and Class III medical devices shall be subject to the inspection and approval of the competent branch of NMPA at the provincial level, and shall obtain production permit. Accordingly, A manufacturer will not be able to commence any business operations without submitting a filing or obtaining a medical device production license. The medical device production license is valid for five years. Where the period of validity for the license needs to be extended upon the expiration, the procedures for such extension shall be handled in accordance with the provisions of laws related to administrative licensing.

Good manufacturing practice for medical devices

According to the Regulations on the Supervision of Medical Devices and the Administrative Measures for the Supervision of the Production of Medical Devices (《醫療器械生產監督管理辦法》) promulgated by NMPA on 30 July 2014 and amended on 17 November 2017, NMPA shall be responsible for supervision and administration of the medical device production nationwide. Branch of NMPA at or above the county level shall be responsible for supervision and administration of the medical device production within the local administrative region.

NMPA promulgated Administrative Measures for Inspection of Good Manufacturing Practice for Medical Devices (《醫療器械生產質量管理規範檢查管理辦法》) on 29 December 2014, which became effective on 1 March 2015. The two relevant standards, namely Appendix on Implantable Medical Devices (《醫療器械生產質量管理規範附錄植入性醫療器械》) and Appendix on Sterilised Medical Devices (《醫療器械生產質量管理規範附錄無菌醫療器械》) were issued on 10 July 2015, which became effective on 1 October 2015. The above regulations are regarded as the basic principles of the quality control system of medical devices manufacturing and is applicable to the entire process of design and development, production, sales and after sales services of medical devices.

Permit For medical device operation enterprises

Pursuant to the Regulations on the Supervision of Medical Devices and the Administrative Measures for the Supervision of the Operation of Medical Devices (《醫療器械經營監督管理辦法》) with its latest revision effective on 17 November 2017, NMPA shall be responsible for the supervision and administration of nationwide business operations concerning medical devices. Food and drug administrators at or above the county level shall be in charge of the business operations of medical devices within their own jurisdiction.

Enterprises engaging in the operations of Class I medical devices are not required to obtain approval and submit a filing; enterprises engaging in the operations of Class II medical devices are required to file with food and drug administrative authorities at the city level in which the enterprises operate, while enterprises engaging in the operations of Class III medical devices shall file an application to the food and drug administrative authorities at the city level in which the enterprises operate to obtain the operation permits.

The term of validity of the Permit for Medical Device Operation is five years. Manufacturing enterprises of medical devices which continue to engage in the operation of medical devices shall submit applications to the drug administrative authorities which issued the original permit for extension of the Permit for Medical Device Operation Enterprises at least six months prior to their expiry.

In accordance with the Regulations on Supervision of Medical Devices and the Administrative Measures for Supervision of the Operation of Medical Devices, any entity that intends to engage in business operations of medical devices shall satisfy all of the following requirements: (1) it shall have a quality management agency or quality management personnel suitable to its business scope and scale, and such quality management personnel shall have obtained relevant professional academic credentials or titles recognised by the State; (2) it shall have premises for business and storage purposes that are appropriate for its business scope and scale; (3) it shall guarantee storage conditions that are commensurate with its business scope and scale, but is not required to set up any storage warehouse if it entrusts other medical device operators to keep all of its medical devices into storage; (4) it shall have in place appropriate quality management systems that are commensurate with the medical devices operated; and (5) it shall have capacities in professional guidance, technical training and after-sales service that are commensurate with the medial devices operated, or shall have agreed with relevant agencies to receive their technical support. An enterprise engaging in business operations of Class III medical devices shall also have in place the computer information management system that meets certain quality management requirements on the business operations of medical devices to ensure the traceability of the products it sells.

Tendering processes for medical devices

In China, public hospitals and health institutions are required to purchase high value medical supplies at prices established through a tendering process. On 21 June 2007, MOH issued the Notice on Further Strengthening the Administration of Centralised Procurement of Medical Devices (《衛生部關於進一步加強醫療器械集中採購管理的通知》), which requires that all non-profit medical institutions under all levels of government and state-owned enterprises participate in the centralised procurement. Public tendering shall be the principal method of centralised procurement.

Regulations on instructions and labels of medical devices

On 30 July 2014,the NMPA issued Provisions on the Administration of Instructions and Labels of Medical Devices (《醫療器械說明書和標籤管理規定》, "the Provisions") which came into effective on 1 October 2014. The medical devices sold or used within the territory of the PRC shall be accompanied by instructions and labels in accordance with the Provisions.The term "instructions of medical devices" refers to the technical documents formulated by medical device registrants or the parties undergoing recordation of medical devices, are provided to users together with products, and contain the basic information about the safety and validity of products and as a guide for the correct installation, debugging, operation, use, repair and maintenance of products. The term "labels of medical devices" refers to the written descriptions, graphics and symbols that are attached to medical devices or their packages and are used for identifying the product features and indicating the safety warnings. The contents in the instructions and labels of medical devices shall be true, complete, accurate, scientific, and consistent with the product features. The contents in the instruction and label of a medical device shall be consistent with the relevant contents subject to registration or recordation. The contents in the label of a medical device shall be consistent with those in the instruction. For expressions on the names of diseases, professional terms, the process and result of diagnosis and treatment, the instruction and label of a medical device shall use the terminologies uniformly released or regulated by the state, and the units of measurement shall meet the relevant national standards.

The instruction of a medical device shall generally include:

(1) Product name, model and specification;

(2) The name, domicile, contact information and after-sales service agencies of the registrant or the party undergoing recordation of the medical device, as well as the name, domicile and contact information of the agency if it is an imported medical device;

(3) The name, domicile, production address and contact information of the production enterprise and the serial number of its production license or production recordation certificate, as well as the name, domicile and production address of the entrusted enterprise and the serial number of its production license or production recordation certificate if the medical device is entrusted for production;

(4) The serial number of the medical device registration certificate or the recordation certificate;

(5) The serial number of product technical requirements;

(6) Product's performance, main structure or ingredients and scope of application;

(7) Contraindications, matters for attention, and other warnings or precautions;

(8) Instructions for installation and use and the drawings thereof, as well as the special instructions for safe use if the medical device is to be used by consumers themselves;

(9) Product's maintenance methods, and conditions and methods for special storage and transportation;

(10) Production date and service life or expiration date;

(11) List of accessory parts, including a description on the replacement cycle and replacement method of accessory parts, accessories, consumables;

(12) Interpretations on graphics, symbols and abbreviations, etc. used in the label of the medical device;

(13) The date when the instruction is prepared or revised; and

(14) Other contents that shall be indicated.

The matters for attention, warnings and precautions in the instruction of a medical device shall mainly include:

(1) Users of such product;

(2) Potential safety hazards and use restrictions;

(3) Protection measures for operators and users as well as emergency and correction measures that shall be taken when any accident occurs in the proper use of products;

(4) Necessary monitoring, assessment, control means;

(5) The characters or marks such as "single-use" that shall be indicated for a single-use product, the sterilisation method and the method for disposing in the case of damage to the sterilisation package that shall be indicated for a sterilised product, or the disinfection or sterilisation method that shall be indicated if disinfection or sterilisation is required before the use;

(6) The requirements, usage and precautions for joint use that shall be indicated if the product needs to be installed or jointly operated together with other medical devices;

(7) Possible mutual disturbances and possible dangers when the product is used together with other products;

(8) Adverse events that may be brought along with the use of the product or the ingredients of the product or the supplementary materials thereof that may cause side effects;

(9) Matters that need attention during the disposal of an abandoned medical device, and the corresponding treatment methods that shall be indicated if the product needs to be treated after use; and

(10) Other matters that shall be presented to operators and users for attention according to the product features.

The label of a medical device shall generally include:

(1) Product name, model and specification;

(2) The name, domicile, contact information and after-sales service agencies of the registrant or the party undergoing recordation of the medical device, as well as the name, domicile and contact information of the agency if it is an imported medical device;

(3) The serial number of the medical device registration certificate or the recordation certificate;

(4) The name, domicile, production address and contact information of the production enterprise and the serial number of its production license or production recordation certificate, as well as the name, domicile and production address of the entrusted enterprise and the serial number of its production license or production recordation certificate if the medical device is entrusted for production;

(5) Production date and service life or expiration date;

(6) Power connection conditions and input power;

(7) Graphics, symbols and other relevant contents that shall be indicated according to the features of the medical device;

(8) Necessary warnings and matters for attention;

(9) Special storage and operating conditions or descriptions;

(10) A warning sign or Chinese warnings if the use of the medical device would damage or have a negative impact on the environment; and

(11) A warning sign or Chinese warnings if it is a medical device with irradiation or radiation.

Where the label of a medical device is unable to indicate all the above contents due to restriction on its position or size, the product name, model and specification, production date and service life or expiration date shall be indicated at least, and "see other contents in the instruction for details" shall be specified in the label.

Medical device advertising

The Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), which was promulgated by the SCNPC on 27 October 1994 and amended on 1 September 2015 and 26 October 2018 regulates that the Internet information service providers shall not publish medical, drugs, medical machinery or health food advertisements in disguised form of introduction of healthcare and wellness knowledge.

The Measures for the Examination of Medical Device Advertisements (《醫療器械廣告審查辦法》) were released by the SAIC, the NMPA and the MOH on 7 April 2009 and amended on 21 December 2018, and stipulates that advertisements for medical devices shall be examined and approved by the Provincial Departments of Drug Administration, and advertisements shall be filed with the relevant Provincial Departments of Drug Administration before its release.

IVD reagents

Pursuant to Measures for the Administration of In-vitro Diagnostic Reagents ("**Measures**") (《體外診斷試劑註冊管理辦法》), which was promulgated by NMPA on 30 July 2014 and came in force on 1 October 2014 and amended on 25 January 2017, the IVD reagents sold in China shall be registered or filed in accordance with the provisions of the measures. NMPA is responsible for the supervision and management of the registration and filing of IVD reagents in the whole country, and supervises and directs the registration and filing of in vitro diagnostic reagents of local food and drug administration departments. Branch office of NMPA at provincial level, autonomous regions and municipalities directly under the Central Government shall, in accordance with the territorial management principles, exercise daily supervision and administration over the registration and filing of imported agents for external diagnosis. When applying for registration of imported IVD reagents, overseas clinical evaluation materials are required.

Class I IVD Reagents shall be managed by record-filing, while Class II and Class III IVD Reagents shall be managed by registration. Class I IVD Reagents shall submit record-filing materials to the food and drug administrations at the level of cities with districts. Class II IVD Reagents shall be reviewed by food and drug administrations of all provinces, autonomous regions and municipalities directly under the Central Government which shall issue a medical device registration certificate upon approval after review. Class III IVD Reagents shall be reviewed by the NMPA, which shall issue a medical device registration certificate upon approval after review. The certificate shall be valid for five years.

For the record-filing of a class I in vitro diagnostic reagent, a clinical trial is not required. For an application for the registration of a class II or class III in vitro diagnostic reagent, a clinical trial shall be conducted.

Under any of the following circumstances, a clinical trial may be exempted:

1. where the reaction principle is definite, and the design is finalised, and the production process is well-established, and the marketed in vitro diagnostic reagent of the same variety has been in clinical use for years and no serious adverse events have been recorded, and its conventional purposes of use have not changed, and the applicant can provide the equivalence evaluation data on the marketed products;

2. where the safety and effectiveness of an in vitro diagnostic reagent can be proved through the evaluation of the clinical samples covering intended use and interference factors.

The catalog of in vitro diagnostic reagents that are exempted from clinical trial shall be compiled, adjusted and published by the NMPA.

According to the Catalog of In-vitro Diagnostic Reagents Exempted from Clinical Trials (《免於進行臨床試驗的體外診斷試劑目錄》) published by the NMPA on 30 September 2018, the in-vitro diagnostic reagents of a listed group which are exempted from clinical trials are as follows: (1) calcitonin test reagent, (2) cystatin C test reagent, (3) C-reactive protein test reagent, (4) troponin I test reagent, (5) creatine kinase test reagent, (6) myoglobin test reagent.

In addition, the fully automatic biochemical analyser registered by IVD Shanghai belongs to a product under the Notice on the Catalog of Class II Medical Devices Exempted from Clinical Trials (《免於進行臨床試驗的第二類醫療器械目錄的通告》) published by the NMPA on 21 August 2014, and an application was submitted for exemption from clinical trials, and such device is subject to internal clinical trials and evaluations.

According to the Measures, when the registration of class II and class III in vitro diagnostic reagents is applied for, registration testing shall be conducted, and registration testing of samples in three continuous manufactured batches shall be conducted for class III products. Medical device testing institutions shall carry out the registration testing of the relevant products in accordance with the product technical requirements. The production of samples for registration testing shall comply with the relevant requirements of the quality management system for medical devices. Clinical trials or registration applications can be carried out only after the products pass the registration testing. An applicant of class III products shall select no less than three qualified clinical institutions, and an applicant of class II products shall select no less than two qualified clinical institutions, to carry out clinical trials according to the relevant requirements. The production of the samples for clinical trials shall comply with the relevant requirements of the medical device quality management system. The clinical trial institution shall provide a clinical trial report after completing the clinical trial. An applicant or leading entity of clinical trials shall summarise the results of clinical trials and complete the final report on clinical trials according to the relevant technical guidelines. The clinical trial of in vitro diagnostic reagents shall be filed with the food and drug administration of the province, autonomous region or municipality directly under the Central Government where the applicant is located for the record. As confirmed by the Company, from October 2014, according to national regulations and requirements, the basic procedure of clinical trials applicable to the Company for applying for a certificate of in-vitro diagnostic reagent registration is as follows: (1) obtaining a conformity report upon completion of product registration and inspection; (2) contacting a qualified clinical trial institution; (3) drafting a clinical trial scheme; (4) ethics review by the clinical trial institution; (5) signing a clinical trial agreement/contract; (6) filing with the food and drug administration at the local and provincial level in the place where the applicant is located; (7) clinical trials and clinical evaluations; (8) obtaining a clinical trial report/clinical evaluation materials.

Other continuing regulations

(a) Administrative Measures for Inspection of Good Manufacturing Practice for Medical Devices requires manufacturers to create, implement and follow certain design, procurement, production management, quality control, sales, monitoring and other quality assurance procedures;

(b) Pursuant to Medical Device Recall Management Measures (《醫療器械召回管理辦法》) issued by the NMPA on 25 January 2017 and became effective on 1 May 2017, manufacturers of medical devices shall immediately decide to make a voluntary recall when a defective product was found in defect investigation;

(c) NMPA and its relevant local counterparts impose general prohibition against promoting products for unapproved uses; and

(d) Regulations on Reporting Adverse Reaction of Medical Devices stipulates that manufacturers shall report to the NMPA specified types of adverse reaction and other incidents involving such adverse reaction.

We are also subject to inspection and market surveillance by the NMPA and its relevant local counterparts to determine compliance with regulatory requirements. If NMPA and its relevant local counterparts decide to enforce its regulations and rules, the agency may institute a wide variety of enforcement actions such as:

(a) fines, injunctions and civil penalties;

(b) recall or seizure of our products;

(c) the imposition of operating restrictions, partial suspension or complete shutdown of production;

(d) revocation of our existing registrations, approvals and permits; and

(e) criminal prosecution.

REGULATIONS RELATING TO MEDICAL DEVICES IN HONG KONG

Risk-based classification of IVD products

The Principles of In Vitro Diagnostic (IVD) Medical Devices Classification (Technical Reference: TR-006), which was issued on 1 December 2009 by the Hong Kong Department of Health, provides guidance on the principles of classification of IVD medical devices. Specifically, it classifies IVD medical devices into four classes based on their risk levels to patients, users and other persons in accordance with their intended use and features. It aims to (i) assist a manufacturer in categorising an IVD medical device into the appropriate risk class with reference to a set of harmonised classification principles, (ii) base such classification principles on an IVD medical device's intended use, and (iii) allow the Medical Device Control Office to rule upon matters of interpretation for a particular IVD medical device when appropriate. Class A IVD medical devices shall refer to those devices with low individual risk and low public health risk, for example, clinical chemistry analysers. Class B IVD medical devices shall refer to those devices with moderate individual risk and/or low public health risk, such as Vitamin B12, pregnancy self-testing, anti-nuclear antibody and urine test strips. Class C IVD medical devices shall refer to those devices with high individual risk and/or moderate public health risk, including blood glucose self-testing, HLA typing, PSA screening and Rubella. Class D IVD medical devices shall refer to those devices with high individual risk and high public health risk, including HIV blood donor screening and HIV blood diagnostic. A device should be categorised to the highest class indicated when more than one of the classification rules apply to the device.

Our Group is principally engaged in the distribution of IVD products and research, development, manufacturing and sales of self-branded IVD analysers and reagents, including haematology and body fluid, immunoassay, clinical chemistry, microbiology testing and POCT.

Listing of Importers of Medical Devices

The Guidance Notes for Listing of Importers of Medical Devices (Technical Reference: GN-07), which was issued in July 2007 by the Hong Kong Department of Health, provides guidance to applicants applying for listing as importers on a voluntary basis under the Medical Device Administrative Control System, which is a list of importers in the medical device supply chain maintained by the Medical Device Control Office. Such list of importers will be publicly accessible. To be included as a listed importer, an applicant must have a properly manned office in Hong Kong where business operations for the import of medical devices are carried out. An applicant shall also document the procedures to define the controls needed for the identification, storage, security and integrity, retention time and disposition of records. Such records shall be established and maintained to provide evidence of conformity to the requirements and the effective implementation of the procedures.

THE TWO INVOICE SYSTEM

In order to implement the Guiding Opinions on Improving the Centralised Drug Procurement for Public Hospitals of the General Office of the State Council (《國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》), the 2016 List of Major Tasks in Furtherance of the Healthcare and Pharmaceutical Reforms (《深化醫藥衛生體制改革2016年重點工作任務》) issued by the General Office of the State Council on 21 April 2016 required that the "two invoice system" (兩票制) (i.e. one invoice between the pharmaceutical manufacturer and the pharmaceutical distributor, and the other invoice between the pharmaceutical distributor and the hospital) should be promoted in pilot provinces involved in the comprehensive medical reform programme. On 26 December 2016, the Implementing Opinions on Carrying Out the Two Invoice System for Drug Procurement among Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行"兩票

制"的實施意見(試行)》(the "**Circular**") was issued by eight central government departments, including the NMPA. The Circular requires public medical institutions to gradually implement the "two invoice system" for drug procurements and encourages other medical institutions to promote the same so that the system can be widely promoted nationwide in 2018.

On 5 March 2018, the Ministry of Finance, the NDRC, the Ministry of Human Resources and Social Security and State Administration of Traditional Chinese Medicine issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》), which stipulates the implementation of the centralised purchase of high value medical consumables, and that the "two invoice system" in relation to high value medical consumables shall be gradually implemented.

According to the Notice of the Fujian Provincial Medical Security Management Committee Office on the Sharing of Transparent Procurement Results of Medical Devices (Medical Consumables) across the Province (《福建省醫療保障管理委員會辦公室關於開展醫療器械(醫用耗材)陽光採購結果全省共享工作的通知》) issued on 23 July 2018, pursuant to which "two-invoice system" is that the invoice from medical consumables manufacturers listed on the official website or importers (declaration entities) to logistics providers is the first invoice, the invoice from the logistics providers to the medical institutions for medical product warehousing is the second invoice.

For details of the timetable of publication and implementation of the laws and regulation relating to the "two-invoice system", please see the following table, which mainly includes national regulations on the "two invoice system" and relevant regulations of provinces in which the "two invoice system" has been implemented in the medical consumables field (including in vitro diagnostic reagent).

Scope	Promulgator	Date of promulgation	Name
Nationwide	Seven ministries and commissions including the Medical Reform Office of the State Council, the National Health and Family Planning Commission and the China Food and Drug Administration	December 2016	Notice on Opinions on the Implementation of the "Two Invoice System" in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)的通知》)

Scope	Promulgator	Date of promulgation	Name
	General Office of the State Council	January 2017	Several Opinions of the General Office of the State Council on Further Reform and Improvement of Drug Production, Circulation and Use Policies (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》)
	Five authorities including the National Health and Family Planning Commission	March 2018	Notice on Consolidating the Achievements in Abolishing the Practice of Compensating for Low Medical Service Charges with High Drug Prices and Continuously Deepening the Comprehensive Reform of Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》)
Fujian province	Fujian Provincial Medical Security Management Committee Office	July 2018	Notice of the Fujian Provincial Medical Security Management Committee Office on the Sharing of Transparent Procurement Results of Medical Devices (Medical Consumables) across the Province (《福建省醫療保障管理委員會辦公室關於開展醫療器械(醫用耗材)陽光採購結果全省共用工作的通知》)

Scope	Promulgator	Date of promulgation	Name
Shaanxi province	Medical Reform Leading Group Office of Shaanxi Province and Health Commission of Shaanxi Province	October 2016 (effective from January 2017)	Notice of the Health and Family Planning Commission of Shaanxi Province on Deepening the Reform of Medical Consumables Supply Support System (《陝西省衛生和計劃生育委員會關於深化藥品耗材供應保障體系改革的通知》)
	Eight Authorities including the Medical Reform Leading Group Office of Shaanxi Province	March 2017	Notice on the Implementation of the "Two Invoice System" for Medicines and Medical Consumables for Public Medical Institutions in the Province (《關於在全省公立醫療機構實行藥品和醫用耗材"兩票制"的通知》)
	Eight Authorities including the Medical Reform Leading Group Office of Shaanxi Province	July 2018 (effective from August 2018)	Notice of Eight Authorities Including the Medical Reform Leading Group Office of Shaanxi Province on Further Promoting the "Two Invoice System" on Medicines and Medical Consumables (《陝西省醫改領導小組辦公室等八部門<關於進一步推進藥品和醫用耗材"兩票制"的通知>》)
Changzhi City, Shanxi province	Changzhi Municipal People's Government	October 2016 (effective from January 2017)	Plan of Implementation of Comprehensive Reform of Urban Public Hospitals in Changzhi City (《長治市城市公立醫院綜合改革實施方案》)

Scope	Promulgator	Date of promulgation	Name
Taiyuan City, Shanxi province	Seven authorities in Taiyuan City including the Health and Family Planning Commission, the Medical Reform Office and the Development and Reform Commission	March 2017 (effective from September 2017)	Implementing Rules on the "Two-Invoice System" on Procurement of Medicines and Medical Consumables by Public Medical Institutions in Taiyuan City (for Trial Implementation) (《太原市公立醫療機構藥品、醫用耗材採購"兩票制"實施細則(試行)》)
Qinghai province	Qinghai Provincial Medical Reform Office	March 2017 (effective from April)	Notice on Procurement of General Medical Consumables by Public Medical Institutions in Qinghai Province via Online Procurement Information Platforms in 2016 (《關於開展2016年度青海省公立醫療機構一般醫用耗材掛網採購工作的通知》)
Liaoning province	Eleven authorities in Liaoning Province including the Health and Family Planning Commission, the Development and Reform Commission, the Finance Department and the Industrial and Commercial Bureau	February 2017 (effective from March)	Implementation Scheme for Transparent Procurement of Medical Consumables and Detection Reagents by Medical Institutions in Liaoning Province (《遼寧省醫療機構醫用耗材和檢驗檢測試劑陽光採購實施方案》)

Scope	Promulgator	Date of promulgation	Name
Heilongjiang province	The Health and Family Planning Commission, the Medical Reform Office and the Administration of Traditional Chinese Medicine in Heilongjiang Province	April 2017 (effective from April)	Notice on Deeply Promoting Mutual Recognition of Test Results between Medical Institutions at the Same Level and Implementation of the Two-invoice System on Procurement of Detection Reagents (《關於深入推進同級醫療機構檢驗結果互認實行檢驗檢測試劑採購兩票制的通知》)
Xuzhou City, Jiangsu province	The Health and Family Planning Commission of Xuzhou City	July 2018	Implementation Scheme for Centralised Procurement of Medical Consumables and Detection Reagents by Medical Institutions in Xuzhou City (《徐州市醫療衛生機構醫用耗材和檢驗檢測試劑集中採購實施方案》)
Tibet Autonomous Region	Eight authorities including the Health and Family Planning Commission of Tibet Autonomous Region	August 2018	Implementation Scheme for Centralised Procurement of Medical Consumables and In vitro Diagnostic Reagent by Medical Institutions in Tibet Autonomous Region (for Trial Implementation) (《西藏自治區公立醫療衛生機構醫用耗材和體外診斷試劑集中採購實施方案(試行)》)

ANTI-CORRUPTION LAWS IN CHINA

Standing Committee of the National People's Congress has adopted the Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》) which became effective on 1 December 1993 and amended on 4 November 2017, the last amendment came into force on 1 January 2018. The law provides that a business operator would commit a crime if it offered money or any other bribes in the course of selling or purchasing products. Interim Provisions of the State Administration for Industry and Commerce on Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) ("**Order 60**") was promulgated by State Administration for Industry and Commerce ("**SAIC**") on 15 November 1996,which elaborate the act of commercial bribery as offering money, goods, free tours, and unrecorded rebate sales commission in secret to any person when selling or buying products. According to Anti-Unfair Competition Law and Order 60, SAIC and its local counterparts, being the principal government authority that supervise matters relating to unfair competition and commercial bribery in China, has the power to impose fines in an amount ranging from RMB100,000 to RMB3,000,000 and to confiscate the illegal gains of a business operator when convicted of commercial bribery. In addition, if any entity or individual offers any property to any government officials for the purpose of seeking illegitimate gain or interests, such act would be considered a crime under PRC Criminal Law and become punishable by the relevant PRC Governmental authorities.

OTHER CHINESE LAWS AND REGULATIONS

Environmental protection laws

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) ("**Environmental Protection Law**"), which was promulgated by the SCNPC on 26 December 1989 and whose amendments were made on 24 April 2014 and became effective as from 1 January 2015, the Appraising of Environmental Impacts Law of the PRC (《中華人民共和國環境影響評價法》) (the "Appraising of Environmental Impacts Law") promulgated by the SCNPC on 28 October 2002, effective as from 1 September 2003 and amended on 2 July 2016 and 29 December 2018, the environmental impact report or environmental impact statement of a construction project shall be submitted to the relevant environmental protection authorities for examination and approval and the State implements the record-filing administration over the environmental impact registration forms. In accordance with the Rules on Acceptance Inspection, after completion of the project, the construction entity shall also apply to the relevant environmental protection authorities for checks and acceptance of the corresponding environmental protection facilities. The said construction project may be put into operation or use only after the completion of the said checks and acceptance procedures.

Product quality

According to the Product Quality Law of China (《中華人民共和國產品質量法》) ("**Product Quality Law**") which was promulgated by the SCNPC on 22 February 1993, and the latest amendment became effective as of 29 December 2018, manufacturers are liable for the quality of products that they produce. The quality of a product must be inspected and proved to be conformed to the standards.

Consumer protection

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of China (《中華人民共和國消費者權益保護法》) ("**Consumer Protection Law**"), which was promulgated by the SCNPC on 31 October 1993, and the latest amendment became effective as of 15 March 2014. According to the Consumer Protection Law, the rights and interests of the consumers who buy, use commodities or receive services for the purposes of daily consumption are protected and all manufacturers and sellers involved must ensure that the products and services will not cause damage to persons and properties. Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the business operator may be ordered to suspend operations and its business license may be revoked. Criminal liability may be incurred in serious cases.

Trademark law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on 23 August 1982 and subsequently amended on 22 February 1993, 27 October 2001 and 30 August 2013 respectively as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council on 3 August 2002 and revised on 29 April 2014 (《中華人民共和國商標法實施條例》). In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. The PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. Trademark license agreements should be filed with the Trademark Office or its regional offices.

Patent law

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC, adopted in 1985 and revised in 1992, 2000 and 2008, and its Implementation Rules (《中華人民共和國專利法實施細則》) promulgated by the State Council, adopted in 2001 and revised in 2002 and 2010, the State Intellectual Property Office of the PRC is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, "invention", "utility model" and "design". The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation or designs used primarily for the identification of pattern, colour or the combination of the two on printed flat works. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of a utility model or design, starting from the application date. A third-party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

Domain name law

According to the Administrative Measure for the Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on 24 August 2017 and became effective as of 1 November 2017, "domain name" shall refer to the character identifier for identifying and locating the hierarchical structure of a computer on the Internet, which corresponds to the Internet protocol (IP) address of the computer concerned. A domain name registration service shall observe the principle of "first apply, first register". Where the domain name registration is completed, the applicant for the domain name registration shall be the holder of the domain name. The holder of the domain name shall pay operation fees for a registered domain name on a regular basis. If the domain name holder fails to pay the corresponding operation fees as required, the original domain name registry shall write it off and notify the holder of the domain name in written form.

Labour law and social protection

According to the Labour Law of China (《中華人民共和國勞動法》) which was promulgated by the SCNPC on 5 July 1994 and became effective as of 1 January 1995, and amended on 27 August 2009 and 29 December 2018 and the Labour Contract Law of China (《中華人民共和國勞動合同法》) which was promulgated by the SCNPC on 29 June 2007 and became effective as of 1 January 2008 and amended on 28 December 2012, and the amendment of which became effective as of 1 July 2013, employers should enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation with the term of employment agreement, job duties, work time, holidays and statutory payments, labour protection, working condition and occupational hazard prevention and protection and other essential contents. Both employers and employees shall duly perform their duties. Except for certain situations explicitly stipulated in the Labour Contract Law which are not subject to economic compensation, economic compensation shall be paid to the employee by the employer for the rescission or termination of the employment agreement.

Pursuant to the Social Insurance Law of China (《中華人民共和國社會保險法》) promulgated on 28 October 2010 and amended on 29 December 2018, and the Housing Fund Regulation (《住房公積金管理條例》) which was promulgated on 3 April 1999 and amended on 24 March 2002, employers in China shall provide their employees with welfare schemes including pension insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing fund.

Enterprise Income Tax Law

According to the Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which was promulgated on 16 March 2007, effective as from 1 January 2008 and amended on 24 February 2017 and 29 December 2018, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income.

PRC resident enterprises typically pay an enterprise income tax at the rate of 25%, while non-PRC resident enterprises without any branches in the PRC pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. An enterprise established outside of the PRC with its "de facto management bodies" located within the PRC is considered a "resident enterprise," meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The Implementing Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》) define a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

On 3 February 2015, the PRC State Administration of Taxation (the "**SAT**") issued the Announcement on Several Issues Concerning Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**Circular 7**"). The Circular 7 repeals certain provisions in the Notice of the SAT on Strengthening the Administration of Enterprise Income Tax on Income from Equity Transfer by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the "**Circular 698**") issued by SAT on 10 December 2009 and the Announcement on Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises (《關於非居民企業所得稅管理若干問題的公告》) issued by SAT on 28 March 2011 and clarifies certain provisions in the Circular 698. The Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including assets of organisations and premises in PRC, immovable property in the PRC, equity investments in PRC resident enterprises) ("**PRC Taxable Assets**"). For instance, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, the Circular 7 allows the Chinese tax authorities to reclassify the indirect transfer of PRC Taxable Assets into a direct transfer and therefore impose a 10% rate of PRC enterprise income tax on the non-resident enterprise. The Circular 7 lists several factors to be taken into consideration by tax authorities in determining if an indirect transfer has a reasonable commercial purpose. However, regardless of these factors, the overall arrangements in relation to an indirect transfer satisfying all the following criteria will be deemed to lack a reasonable commercial purpose: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from PRC Taxable Assets; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or during the one year period before the indirect transfer, 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries and branches that directly or indirectly hold the PRC Taxable Assets are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC Taxable Assets is lower than the potential PRC tax on the direct transfer of those assets. On the other hand, indirect transfers falling into the scope of the safe harbors under the Circular 7 may not be subject to PRC tax under the Circular 7. The safe harbors include qualified group restructurings, public market trades and exemptions under tax treaties or arrangements.

Withholding tax on dividend distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the Implementing Rules of the EIT Law reduced the rate from 20% to 10%, effective from 1 January 2008.

Pursuant to the Arrangement for the Avoidance of Double Taxation on Income and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Arrangement for the Avoidance of Double Taxation on Income and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority.

Based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) issued on 20 February 2009 by SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties (《關於稅收協定中"受益所有人"有關問題的公告》) issued by 3 February 2018, where company as an applicant has the status as a "beneficiary owner", but the competent tax authority finds it necessary to apply the principal purpose test clause in the tax treaties or the general anti-tax avoidance rules stipulated in domestic tax laws, the general anti-tax avoidance provisions shall apply.

Value added tax law

Pursuant to the Provisional Regulations of China on Value-Added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, 6 February 2016 and 19 November 2017, and the Implementation Rules for the Implementation of the Provisional Regulations of China on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by MOF and SAT on 18 December 2008 and became effective on 1 January 2009 and as amended on 28 October 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the China shall pay value-added tax. Unless provided otherwise, the rate of value-added tax is 17%. According to the Circular of the MOF and the SAT on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) promulgated on 4 April 2018 and became effective on 1 May 2018, where a taxpayer engages in taxable sales activities for the value-added tax purpose or imports goods, the previous applicable tax rates of 17% and 11% are adjusted to 16% and 10% respectively.

Customs regulations

According to the Customs Law of China (《中華人民共和國海關法》), which was promulgated by the SCNPC on 22 January 1987, and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017, and the latest amendment became effective as of 5 November 2017, the import of goods throughout the period from the time of arrival in the territory of China to the time of customs clearance, the export of goods throughout the period from the time of declaration to the customs to the time of departure from the territory of China, and the transit, transshipment and through-shipment goods throughout the period from the time of arrival in the territory of China to the time of departure from the territory of China shall be subject to customs control. Duties shall be imposed on and paid by the consignee for the imported goods, the consigner for the exported goods and the owner of inward and outward articles unless otherwise exempted or reduced according to the laws or regulations.

According to the Provisions of the Customs of China on the Administration of Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》), which was promulgated by the General Administration of Customs ("**GAC**"), and the latest amendment came into force on 1 July 2018, consignors and consignees of imported and exported goods shall undergo customs declaration entity registration formalities with their respective local customs in accordance with the applicable provisions. After the customs declaration entity registration with the customs, consignors and consignees of imported and exported goods may handle their own customs declarations at customs ports within the customs territory of China or any locality where customs supervisory affairs are concentrated within the customs territory of China.

According to the Regulations of the PRC on Import and Export Duties published by the State Council on 23 November 2003 (as amended on 8 January 2011, 7 December 2013, 6 February 2016 and 1 March 2017) (the "**Regulations**") and the Tariff Schedule of the PRC for Imports and Exports enacted by the State Council (the "**Tariff Schedule**") specify that categories, HS codes and rates of tariffs are a part of the Regulations. For import tariffs, the most-favoured-nation tariff rate, the conventional tariff, the special preferential tariff rate, the general tariff rate, the tariff quota rate and other tariff rates are specified. The most-favoured-nation tariff rate shall be applicable to the import goods originating from WTO members, to whom the most-favoured-nation clause is commonly applicable, and the import goods originating from a country or region that has concluded with the PRC a bilateral trade agreement that contains clauses reciprocal most-favoured-nation treatment, and the import goods originating from the People's Republic of China. In accordance with the Tariff Schedule, for the commodity name of "other diagnostic or laboratory reagents" (HS code: 3822.0090), the general import tariff rate and the most-favoured-nation tariff rate are 35% and 5% respectively. For the commodity name of "other instruments and apparatus for physical or chemical analysis" (HS code: 9027.8099), the general import tariff rate and the most-favoured-nation tariff rate are 17% and 0% respectively. For the commodity name of "diagnostic or laboratory reagents on a backing" (HS code: 3822.0010), the general import tariff rate and the most-favoured-nation tariff rate are 35% and 4% respectively.

Foreign exchange regulations

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was subsequently amended on 14 January 1997 and 5 August 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》) which was promulgated by PBOC on 20 June 1996 and became effective on 1 July 1996. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the State Administration of Foreign Exchange (the "**SAFE**") or its local counterpart is obtained.

Foreign invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. However, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary).

The Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which was promulgated by the SAFE on 30 March 2015 and became effective as of 1 June 2015, adopts the approach of discretional foreign exchange settlement, under which the foreign exchange capital in the capital account of a foreign-invested enterprise for which the foreign-invested enterprise has obtained confirmation by the local SAFE branches regarding the rights and interests of monetary contribution (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of such foreign-invested enterprise. The capital in Renminbi obtained by the foreign-invested enterprise from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment. The proportion of discretionary settlement of foreign exchange capital is temporarily determined as 100%, subject to the adjustment of the SAFE.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular No. 37**"), promulgated by SAFE and which became effective on 4 July 2014, a Chinese resident, including a Chinese resident natural person or a Chinese legal person, must register with the local SAFE branch before he or she contributes the assets or its equity interests in a special purpose vehicle for the purpose of conducting investment or financing; and following the initial registration, the Chinese resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of a Chinese resident natural person shareholder, name or operating period, or a material event, such as change in share capital of a Chinese resident legal person, merger or split. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on the ability of the Overseas SPV's Chinese subsidiary to distribute dividends to its overseas parent.

OUR HISTORY

The history of our Original Group can be traced back to 2009 when Mr. Ho and Mr. Leung established IVD China and subsequently IVD (Shanghai) to engage in the research and development, sales and marketing of self-branded IVD products using their personal funds from previous business activities under Vastec HK. In 2011, Mr. Lin, Mr. Ho and Mr. Leung founded Dacheng (Shanghai) to engage in the distribution of IVD products with a focus on Shanghai IVD market using their personal funds from previous business activities or employment under Vastec HK.

Mr. Ho and Mr. Leung ventured into the IVD industry by founding, managing and operating Vastec HK in August 1993 and subsequently Vastec (Shanghai) in January 2000, which were wholly owned by them. Mr. Lin joined the sales team of Vastec (Shanghai) in 2000. They have gained vast experience in the IVD industry and established an extensive sales network and pipeline network in the PRC and Hong Kong. In December 2013, Mr. Ho and Mr. Leung introduced Huatuo as a strategic investor and sold their 60% equity interest in Vastec HK to Huatuo. Mr. Ho and Mr. Leung, each being a director of Vastec HK, have been largely responsible for the management of the business operations of Vastec HK since its establishment. As part of the Reorganisation, Mr. Ho and Mr. Leung transferred their remaining 40% equity interest in Vastec HK to our Company, and Vastec HK became an associate of our Company in May 2016. With a view to further strengthening our distribution capability and sales network and integrating our distribution business value chain, we completed the acquisition of 60% equity interest in Vastec HK from Huatuo in January 2019, and Vastec HK has since then become our wholly-owned subsidiary.

At the time of the establishment of IVD China, each of Mr. Ho and Mr. Leung held 50% and 50% of the issued share capital in IVD China, respectively. At the time of the establishment of Dacheng (Shanghai), each of Mr. Ho, Mr. Leung and Mr. Lin held 18%, 18% and 64% equity interest in Dacheng (Shanghai), respectively. By virtue of the collective control arrangement among Mr. Ho, Mr. Leung and Mr. Lin pursuant to the Common Control Confirmation, Mr. Ho, Mr. Leung and Mr. Lin and their respective investment holding companies, KS&KL, King Sun, Lucan Investment, formed the Founding Group, which will collectively continue to own and control approximately 34.78% of the issued share capital of our Company upon Listing (without taking into account any Shares which may be alloted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme). For further details of the Common Control Confirmation, please refer to the paragraph headed "– Corporate Development – Common Control Confirmation" in this section below. As at the Latest Practicable Date, Mr. Ho is the Chairman, the Chief Executive Officer and an executive Director, Mr. Leung is the Chief Operating Officer and an executive Director, while Mr. Lin is the General Manager and an executive Director. Please refer to the section headed "Directors and Senior Management" in this prospectus for the respective background and industry experience of Mr. Ho, Mr. Leung and Mr. Lin.

OUR MILESTONES

Set forth below are the key business milestones in our history:

Year	Milestone
1993	Vastec HK was incorporated in Hong Kong
1996	Vastec HK established a representative office in Beijing
1997	Vastec became the national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC
2000	Vastec (Shanghai) was established by Vastec HK in the PRC
2009	IVD China was incorporated in Hong Kong
2010	IVD (Shanghai) was established by IVD China in the PRC
2011	Dacheng (Shanghai) was established in the PRC
2012	Dacheng began acting as a regional distributor of Sysmex' haemostasis products in Shanghai for Vastec
2014	Shinva, through Huatuo, acquired 60% of the issued share capital of Vastec HK
2015	Alifax was established in the PRC by Vastec HK and Alifax S.R.L as a joint venture
2016	Our Company was incorporated in the Cayman Islands
2016	Dacheng was appointed as a regional distributor of Sysmex' urinalysis products in Shanghai
2019	Completion of the Acquisition whereby Vastec HK became a wholly-owned subsidiary of our Company

CORPORATE DEVELOPMENT

The following describes the corporate history of our Company and our subsidiaries.

Our Company

Our Company, formerly known as IVD Holding Limited, was incorporated on 15 January 2016 as an exempted company under the laws of the Cayman Islands with an initial authorised share capital of US$50,000 divided into 100,000,000 shares of a nominal value of US$0.0005 each. It is the holding company of our subsidiaries, and its principal business activity is investment holding. As at the Latest Practicable Date, the issued Shares of our Company were held as to approximately 46.37% by the Founding Group (comprising 17.55% by King Sun, 17.55% by KS&KL and 11.27% by Lucan Investment), 44.37% by Huatuo and 9.26% by NHPE. Please refer to the paragraph headed "– Reorganisation – (1) Incorporation of the Offshore Holding Vehicles – Incorporation of Our Company", "– Reorganisation – (5) Subscription of Shares by Mr. Ho and Mr. Leung" and "– Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors" in this section for further details regarding the changes in the authorised and issued share capital of our Company.

As a result of the Reorganisation, our Company has become the ultimate holding company of our Group. Please refer to the paragraph headed "– Reorganisation" in this section for further details.

Our Subsidiaries in Hong Kong

Vastec HK

Vastec HK, formerly known as Vatex Medical Limited, was incorporated in Hong Kong on 31 August 1993 as a limited liability company. The share capital of Vastec HK amounts to HK$10,000 with 10,000 issued ordinary shares, which were held by each of Mr. Ho and Mr. Leung, the founding members of Vastec HK, as to 50% and 50%, respectively. Vastec HK is principally engaged in the sale of IVD products and investment holding.

Pursuant to a sale and purchase agreement dated 20 December 2013 entered into between Mr. Leung and Mr. Ho as vendors and Huatuo as purchaser, Huatuo purchased 60% of the issued share capital of Vastec HK at a consideration of RMB384,300,000. Such consideration was determined after arm's length negotiation between the parties by reference to the valuation report issued by an independent qualified appraiser and was fully settled on 24 May 2016. Following the aforesaid share transfer and as at 1 January 2016, the commencement of the Track Record Period, the issued share capital of Vastec HK was held by each of Mr. Ho, Mr. Leung and Huatuo as to 20%, 20% and 60%, respectively.

As a result of the Reorganisation, Vastec HK became an associate of our Company in May 2016 and subsequently a wholly-owned subsidiary of our Company in January 2019. Please refer to the paragraph headed "– Reorganisation – (4) Acquisition of 40% of the issued share capital of Vastec HK by our Company" and "– Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors" in this section for further details.

IVD International

IVD International was incorporated under the laws of Hong Kong with limited liability on 29 January 2016. 10,000 shares in the amount of HK$10,000 were allotted and issued to our Company as at the date of incorporation. IVD International is an investment holding company which directly holds 100% equity interest in Dacheng (Shanghai).

On 16 January 2018, 79,990,000 ordinary shares in IVD International were allotted and issued to our Company for an aggregate consideration of HK$79,990,000. As at the Latest Practicable Date, IVD International remains to be wholly owned by our Company.

IVD China

IVD China was incorporated in Hong Kong on 19 October 2009 as a limited liability company, with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On the date of incorporation, one subscriber share and one subscriber share were allotted to each of Mr. Ho and Mr. Leung. IVD China is principally engaged in investment holding and directly holds 100% equity interest in IVD (Shanghai), 100% equity interest in Digital HK and 51% equity interest in Suzhou DiagVita, and it indirectly holds 48% equity interest in Hunan Ankai Jiade and 100% equity interest in Digital China. As at 1 January 2016, the commencement of the Track Record Period, IVD China had 9,363,750 ordinary shares in issue, which were held by each of Mr. Ho, Mr. Leung, Mr. Ma Jiangtian (our distributor in Guangdong Province) and Mr. Yao Lin (a substantial shareholder of IVD China and a director of IVD (Shanghai)) as to approximately 40.92%, 42.35%, 4.28% and 12.45%, respectively.

Pursuant to the declaration of trust dated 11 April 2012, Mr. Leung held 468,188 shares in IVD China as a nominee on trust for and on behalf of Mr. Tang Sin Kui (an independent third party) as the beneficial owner. On 26 February 2016, Mr. Leung, at the instructions of Mr. Tang Sin Kui, transferred 468,188 shares back to Mr. Tang Sin Kui at nil consideration.

On 26 February 2016, Mr. Leung transferred 821,375 shares to Mr. Pun Fai (a member of our senior management) as a gift for a nominal consideration of HK$1.00. The consideration was settled on 26 February 2016.

On 1 March 2016, pursuant to a sale and purchase agreement entered into between Mr. Ho as vendor and Mr. Lee Chung Ho, Donald (an independent third party) as purchaser, 821,375 shares were transferred from Mr. Ho to Mr. Lee Chung Ho, Donald at a consideration of HK$2,500,000.

As part of the Reorganisation, Mr. Leung and Mr. Ho as vendors entered into a sale and purchase agreement on 26 May 2016 with our Company as purchaser, pursuant to which our Company agreed to acquire the aggregate of 24,641,246 shares of IVD China from Mr. Ho and Mr. Leung, representing approximately 75% of the issued share capital of IVD China. As a result of the Reorganisation, IVD China was held as to approximately 75% by our Company, with approximately 0.92%, 0.92%, 12.45%, 4.28%, 1.43%, 2.5% and 2.5% held by Mr. Leung, Mr. Ho, Mr. Yao Lin, Mr. Ma Jiangtian, Mr. Tang Sin Kui, Mr. Pun Fai and Mr. Lee Chung Ho, Donald, respectively. Please refer to the paragraph headed "– Reorganisation – (3) Acquisition of 75% of the issued share capital of IVD China by our Company" in this section for further details.

Digital HK

Digital HK was incorporated in Hong Kong on 5 June 2009 as a limited liability company, with an issued share capital of HK$2 divided into two subscriber shares. Digital HK is principally engaged in the sale of IVD products and investment holding and directly holds 100% equity interest in Digital China.

As at 1 January 2016, the commencement of the Track Record Period, Digital HK was wholly owned by an independent third party. Pursuant to a sale and purchase agreement entered into between the independent third party as vendor and IVD China as purchaser on 30 April 2016, the vendor agreed to transfer the two shares of Digital HK, representing the entire issued share capital of Digital HK, to IVD China at a consideration of HK$2,487,230. Such consideration was determined after arm's length negotiation between the parties with reference to the then net asset value of Digital HK and was fully settled on 15 August 2016. We acquired Digital HK for certain medical device business licence held by Digital China. Following the share transfer, Digital HK became a wholly-owned subsidiary of IVD China.

Our subsidiaries in the PRC

Vastec (Shanghai)

Vastec (Shanghai) was established under the laws of the PRC with limited liability (solely invested by Taiwan, Hong Kong or Macau legal person) on 3 January 2000 with an initial registered capital of US$200,000.

On 20 June 2001, the registered capital of Vastec (Shanghai) increased from US$200,000 to US$300,000. Vastec (Shanghai) has been wholly owned by Vastec HK since its incorporation. Vastec (Shanghai) is principally engaged in the sales, marketing and after-sales services of IVD products.

Our PRC Legal Adviser has confirmed that the registered capital of Vastec (Shanghai) in the amount of US$300,000 has been fully paid up.

Dacheng (Shanghai)

Dacheng (Shanghai) was established under the laws of the PRC with limited liability (solely invested by Taiwan, Hong Kong or Macau legal person) on 21 February 2011 with an initial registered capital of RMB2,000,000. Dacheng (Shanghai) is principally engaged in the distribution of IVD products and provision of solution services to hospitals in the PRC. The registered capital of Dacheng (Shanghai) was increased from RMB2,000,000 to RMB50,000,000 pursuant to the shareholders' resolutions passed on 16 November 2015. The aforesaid capital increase was registered with the competent Chinese government authority on 30 November 2015.

As at 1 January 2016, the commencement of the Track Record Period, Dacheng (Shanghai) was held by each of Mr. Lin, Mr. Ho and Mr. Leung as to 64%, 18% and 18%, respectively.

As a result of the Reorganisation, Dacheng (Shanghai) became an indirect wholly-owned subsidiary of our Company held as to 100% by IVD International. Please refer to the paragraph headed "– Reorganisation – (2) Acquisition of 100% equity interest in Dacheng (Shanghai) by IVD International" in this section for further details.

Our PRC Legal Adviser has confirmed that the registered capital of Dacheng (Shanghai) in the amount of RMB50,000,000 has been fully paid up.

IVD (Shanghai)

IVD (Shanghai) was established under the laws of the PRC with limited liability (solely invested by Taiwan, Hong Kong or Macau legal person) on 6 July 2010 with an initial registered capital of US$3,000,000. IVD (Shanghai) is principally engaged in the sales, marketing and after-sales services of self-developed IVD products, as well as the research and development and manufacturing of domestically made IVD products in the PRC. IVD (Shanghai) has been wholly owned by IVD China since its incorporation.

Our PRC Legal Adviser has confirmed that the registered capital of IVD (Shanghai) in the amount of US$3,000,000 has been fully paid up.

Suzhou DiagVita

Suzhou DiagVita was established under the laws of the PRC with limited liability (equity joint venture by Taiwan, Hong Kong or Macau investor and Mainland investor) on 15 July 2011 with an initial registered capital of RMB2,000,000, which was owned by each of Mr. Wang Bin (our employee), Mr. Jiang Beiping (our ex-employee) and Mr. Wu Yifan (a key member of our research team) as to approximately 86.67%, 10.00% and 3.33%, respectively. Suzhou DiagVita is principally engaged in the production of IVD reagents and medical equipment.

Pursuant to a capital increase agreement entered into between Mr. Wang Bin, Mr. Jiang Beipang, Mr. Wu Yifan and Mr. Leung Wai Tak and pursuant to the shareholders' resolutions passed on 10 October 2011, Mr. Leung Wai Tak, an independent third party, subscribed for 40% of the equity interest in Suzhou DiagVita at the subscription price of RMB18,000,000, of which RMB1,333,300 was contributed to the registered capital of Suzhou DiagVita and RMB16,666,700 was contributed to the capital reserve of Suzhou DiagVita. The subscription price was fully paid on 3 February 2012. The aforesaid capital increase was registered with the competent Chinese government authority on 5 January 2012. Immediately following completion of the aforesaid capital increase, the registered capital of Suzhou DiagVita was increased from RMB2,000,000 to RMB3,333,300, which was held by each of Mr. Wang Bin, Mr. Jiang Beiping, Mr. Wu Yifan and Mr. Leung Wai Tak as to 52%, 6%, 2% and 40%, respectively.

On 22 October 2013, Mr. Wang Bin entered into an equity transfer agreement with Mr. Leung Wai Tak, pursuant to which Mr. Wang Bin agreed to transfer 5% of the equity interest in Suzhou DiagVita to Mr. Leung Wai Tak at nil consideration. The aforesaid transfer was registered with the competent Chinese government authority on 9 January 2014. Immediately following transfer, Suzhou DiagVita was held by each of Mr. Wang Bin, Mr. Jiang Beiping, Mr. Wu Yifan and Mr. Leung Wai Tak as to 47%, 6%, 2% and 45%, respectively, and the shareholding remained unchanged as at 1 January 2016, the commencement of the Track Record Period. On 23 February 2016, Mr. Wang Bin entered into an equity transfer agreement with R&J Greenventure Co., Limited pursuant to which Mr. Wang Bin agreed to transfer 47% equity interest in Suzhou DiagVita to R&J Greenventure Co., Limited at a consideration of RMB1,566,700. The consideration was fully settled by R&J Greenventure Co., Limited on 4

March 2016, and the transfer of the aforesaid equity interest in Suzhou DiagVita was registered with the competent Chinese government authority on 12 April 2016. Immediately following the completion of the equity transfer, Suzhou DiagVita was held by each of R&J Greenventure Co., Limited, Mr. Jiang Beiping, Mr. Wu Yifan and Mr. Leung Wai Tak as to 47%, 6%, 2% and 45%, respectively.

As part of the Reorganisation, Suzhou DiagVita became an indirect non-wholly owned subsidiary of our Company held as to 51% by IVD China, with the remaining equity interest held by each of R&J Greenventure Co., Limited, Mr. Jiang Beiping and Mr. Wu Yifan as to 41%, 6% and 2%, respectively, as at 22 August 2016. Please refer to the paragraph headed "– Reorganisation – (6) Acquisitions of 51% equity interest in Suzhou DiagVita by IVD China" in this section for further details.

On 1 September 2016, the board of directors of Suzhou DiagVita resolved that each of IVD China, R&J Greenventure Co., Limited, Mr. Jiang Beiping and Mr. Wu Yifan shall increase their respective capital contribution to approximately RMB10,223,725, RMB8,219,073, RMB1,202,791 and RMB400,930, respectively. The additional capital contribution was funded from the capital reserve of Suzhou DiagVita. The aforesaid capital increase was registered with the competent Chinese government authority on 21 September 2016. As a result of the capital increase, the registered capital of Suzhou DiagVita was increased from RMB3,333,300 to approximately RMB20,046,519, which was held by R&J Greenventure Co., Limited as to 41%, Mr. Jiang Beiping as to 6%, Mr. Wu Yifan as to 2% and IVD China as to 51%.

Our PRC Legal Adviser has confirmed that the registered capital of Suzhou DiagVita in the amount of approximately RMB20,046,519 has been fully paid up.

Digital China

Digital China was established under the laws of the PRC on 3 September 2009 as a limited liability company with a registered capital of US$200,000. The entire equity interest of Digital China has been wholly owned by Digital HK since its incorporation. Digital China is principally engaged in the sales, marketing and after-sales services of IVD products.

Our PRC Legal Adviser has confirmed that the registered capital of Digital China in the amount of US$200,000 has been fully paid up.

Interests in associates

Our Group has interests in certain companies, including Alifax and Hunan Ankai Jiade, which are accounted for as interests in associates. The details are set forth in Note 16 to the section headed "Accountants' Report on our Original Group for the years ended 31 December 2016, 2017 and 2018" in Appendix I to this prospectus.

Alifax

Alifax was established under the laws of the PRC with limited liability (equity joint venture between Taiwan, Hong Kong or Macau investor and foreign investor) on 29 May 2015 with an initial registered capital of EUR150,000, which was owned by each of Alifax S.R.L., an independent third party, and Vastec HK as to 51% and 49%, respectively. It is principally engaged in the sales and marketing of self-developed IVD products from Alifax Italy Company.

On 30 December 2016, Alifax S.R.L. and Vastec HK entered into a capital increase agreement, pursuant to which Alifax S.R.L. and Vastec HK agreed to contribute an aggregate amount of EUR150,000 to Alifax in proportion to their respective shareholding in Alifax, of which Alifax S.R.L. shall contribute EUR76,500, while Vastec HK shall contribute EUR73,500. The capital contribution was fully paid on 3 March 2017. As a result of the capital contribution, the registered capital of Alifax was increased from EUR150,000 to EUR300,000. The aforesaid capital increase was registered with the competent Chinese government authority on 18 January 2017. Immediately following completion of the aforesaid capital increase, Alifax remained to be held as to 51% and 49% by each of Alifax S.R.L. and Vastec HK, respectively.

On 8 November 2018, Alifax S.R.L. and Vastec HK entered into a capital increase agreement, pursuant to which Alifax S.R.L. and Vastec HK agreed to contribute an aggregate amount of EUR100,000 to Alifax in proportion to their respective shareholding in Alifax, of which Alifax S.R.L. shall contribute EUR51,000, while Vastec HK shall contribute EUR49,000. The capital contribution shall be paid within five years as of the issuance of Alifax's new business licence pursuant to such capital increase agreement. As a result of the capital contribution, the registered capital of Alifax was increased from EUR300,000 to EUR400,000. The aforesaid capital increase was registered with the competent Chinese government authority on 15 November 2018. Immediately following completion of the aforesaid capital increase, Alifax remained to be held as to 51% and 49% by each of Alifax S.R.L. and Vastec HK, respectively.

Hunan Ankai Jiade

Hunan Ankai Jiade, formerly known as Hunan Brahms Biotech Co., Ltd., was established under the laws of the PRC with limited liability (sino-foreign equity joint venture) on 1 August 2012 with an initial registered capital of RMB6,000,000. It is principally engaged in the sales, marketing and after-sales services of self-developed IVD products, as well as the research and development and manufacturing of domestically made IVD products.

As at 1 January 2016, the commencement of the Track Record Period, Hunan Ankai Jiade was held by each of Mr. Li Changwen, an independent third party, and AAICHINA as to 48% and 52%, respectively.

Pursuant to the equity transfer agreement dated 16 May 2016 entered into between Mr. Li Changwen and IVD (Shanghai), Mr. Li Changwen transferred 48% equity interest in Hunan Ankai Jiade to IVD (Shanghai) at a consideration of RMB4,665,600. Such consideration was determined after arm's length negotiation between the parties and with reference to the capital contribution made by Mr. Li Changwen in Hunan Ankai Jiade. The consideration was fully paid on 27 July 2016. Our Group invested in Hunan Ankai Jiade to acquire a stake in the manufacturer to produce our self-branded medical reagents and devices. Upon completion of the aforesaid transfer, Hunan Ankai Jiade became 48% owned by IVD (Shanghai), with the remaining 52% owned by AAICHINA.

On 16 May 2016, IVD (Shanghai) and AAICHINA entered into a capital increase agreement, pursuant to which IVD (Shanghai) made a capital contribution of RMB3,048,500 in cash, of which RMB480,000 was contributed to the registered capital of Hunan Ankai Jiade and RMB2,568,500 was contributed to its capital reserve, whereas AAICHINA made a capital contribution of RMB520,000 in cash, which was contributed to the registered capital of Hunan Ankai Jiade. The total capital contribution of RMB3,568,500 was fully paid on 12 January 2017. As a result of the capital contribution, the registered capital of Hunan Ankai Jiade was increased from RMB6,000,000 to RMB7,000,000. The aforesaid capital increase was registered with the competent Chinese government authority on 15 August 2016. Immediately following completion of the aforesaid capital increase, Hunan Ankai Jiade remained to be held as to 48% and 52% by each of IVD (Shanghai) and AAICHINA, respectively.

Common control confirmation

At the time of establishing IVD China, Mr. Ho and Mr. Leung, each holding 50% equity interest, entered into an acting-in-concert agreement dated 19 October 2009, and at the time of establishing Dacheng (Shanghai), (i) Mr. Ho and Mr. Leung, each holding 18% equity interest, entered into an another acting-in-concert agreement dated 21 February 2011, and (ii) Mr. Ho and Mr. Leung, for and on behalf of Mr. Lin, effectively controlled and exercised the voting right of the remaining 64% equity interest held by Mr. Lin, pursuant to a voting right entrustment agreement dated 21 February 2011 (the "**Dacheng (Shanghai) Voting Right Entrustment Arrangement**") and entered into among Mr. Ho, Mr. Leung and Mr. Lin, all of the arrangements above were to record their intention to consolidate their interest and operate IVD China and Dacheng (Shanghai), respectively, on a collective basis in connection with major issues concerning the management of and exercise of voting rights in IVD China and Dacheng (Shanghai) since their respective date of establishing.

In furtherance of the same objective, on 27 May 2016, Mr. Ho, Mr. Leung and Mr. Lin executed the Common Control Confirmation in respect of our Company, IVD International and Dacheng (Shanghai) (our Company, IVD International and Dacheng (Shanghai) are collectively referred to as the "**Subject Companies**"), whereby Mr. Ho, Mr. Leung and Mr. Lin confirmed the existence of their collective control and management arrangements in the past, as well as their intention to continue to act in the same manner in the future to consolidate their control over our Group. Pursuant to the Common Control Confirmation, each of Mr. Ho, Mr. Leung and Mr. Lin confirmed, among other matters, that:

(a) they controlled and managed the Subject Companies on a collective basis and made collective decisions in respect of the financial, operational and strategic planning of each of the Subject Companies at all material times in the past. In order to achieve this objective, Mr. Ho, Mr. Leung and Mr. Lin had been arriving at unanimous agreements in decision making and exercising their respective voting rights collectively on all matters to be considered and approved at the management level, board of directors level and shareholders level of each of the Subject Companies in the past;

(b) with respect to certain corporate actions of the Subject Companies, resolutions should be passed with the unanimous agreement of Mr. Ho, Mr. Leung and Mr. Lin. Such corporate actions include, among others, (i) taking any action that approves or results in the declaration or payment of any dividend or other distribution to the holders of shares of a Subject Company, (ii) acquiring any business, undertaking of asset whether by way of share purchase or asset purchase or otherwise, or the creation of any financial commitment by a Subject Company, (iii) creating any bank borrowings or debt financing, with or without security on all or any of the undertaking, assets or rights of a Subject Company, (iv) making any capital expenditure or other purchase of tangible or intangible assets by a Subject Company, (v) altering or expanding a Subject Company's business to areas materially different from the current product and/or service offerings, and (vi) adopting or changing annual business plan or budget of a Subject Company;

(c) Mr. Ho, Mr. Leung and Mr. Lin had been controlling and managing each of the Subject Companies following the above mechanism at all material times in the past and would continue to follow the above mechanism; and

(d) Mr. Ho, Mr. Leung and Mr. Lin collectively had the power to govern the financial, operational and strategic planning of each of the Subject Companies in order to obtain economic benefits from their respective business activities.

The Common Control Confirmation superseded the Dacheng (Shanghai) Voting Right Entrustment Arrangement, pursuant to which, from the date of establishment of Dacheng (Shanghai), Mr. Ho and Mr. Leung, for and on behalf of Mr. Lin, effectively controlled and exercised the voting right of the remaining 64% equity interest held by Mr. Lin, and thus, controlled and exercised 100% voting right of Dacheng (Shanghai). Accordingly, (i) for the period from the date of establishment of Dacheng (Shanghai) and up to the date of the Common Control Confirmation, Mr. Ho and Mr. Leung made the relevant confirmations under the Common Control Confirmation in respect of Dacheng (Shanghai) for themselves and for and on behalf of Mr. Lin, and (ii) from the date of the Common Control Confirmation and after each of IVD International and Dacheng (Shanghai) became a wholly owned subsidiary of our Company, each of Mr. Ho, Mr. Leung and Mr. Lin made the relevant confirmations under the Common Control Confirmation in respect of their respective shareholding interest in our Company.

By virtue of the collective control and management arrangements among Mr. Ho, Mr. Leung and Mr. Lin pursuant to the Common Control Confirmation, the Founding Group will collectively continue to own and control approximately 34.78% of the issued share capital of our Company upon Listing and will be a group of Controlling Shareholders.

PRE-IPO INVESTMENTS

1. Overview

In view of the business prospects of our Group, we have arranged two phases of the Pre-IPO Investments with the Pre-IPO Investors, NHPE and Huatuo.

Phase 1: Pre-IPO Investments in 2016 with NHPE and Huatuo

On 18 May 2016, the Pre-IPO Investors, our Company and the Original Shareholders entered into the NHPE Subscription Agreement, Huatuo Subscription Agreement and Huatuo Share Purchase Agreement pursuant to which the parties agreed to give effect to the following:

(a) NHPE to invest in our Company by way of subscription for 7,835,949 new Shares, representing approximately 15% of the then enlarged issued share capital of our Company; and

(b) Huatuo to invest in our Company by way of a combined subscription for 2,592,306 new Shares and a combined purchase of 2,592,308 old Shares from the Original Shareholders, representing an aggregate of approximately 9.92% of the then enlarged issued share capital of our Company.

Phase 2: Pre-IPO Investment in 2019 with Huatuo

On 25 January 2019, our Company and Huatuo entered into the Vastec HK Share Purchase Agreement, pursuant to which our Company agreed to acquire 6,000 shares of Vastec HK from Huatuo, representing 60% of the issued share capital of Vastec HK, at a consideration of RMB1,233,915,840, which was settled: (i) as to RMB822,610,560 in the form of equity by the allotment and issue of 32,339,139 new Shares by our Company on 25 January 2019, representing approximately 38.24% of the then enlarged issued share capital of our Company; and (ii) as to RMB411,305,280 in the form of a promissory note in the principal amount of RMB411,305,280 issued in favour of Huatuo by our Company on 25 January 2019, which will be redeemed by our Company in cash in accordance with the redemption schedule as agreed upon in the Vastec HK Share Purchase Agreement, unless upon the occurence of certain events specified therein. In accordance with the redemption schedule as agreed upon in the Vastec HK Share Purchase Agreement, RMB5,000,000 of principal amount outstanding under the aforesaid promissory note of RMB411,305,280 has been repaid as at Latest Practicable Date. Accordingly, RMB406,305,280 remained outstanding under the aforesaid promissory note. We shall make an irrevocable instruction to the Underwriters to apply approximately 44.8% of the net proceeds of the Global Offering to repay the outstanding amount of RMB406,305,280 under and fully redeem the said promissory note issued in favour of Huatuo by our Company.

For further details of the Pre-IPO Investments, please refer to the paragraph headed "– Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors" in this section.

The below table is a summary of the respective number of Shares and shareholding percentage held by the Pre-IPO Investors before and after completion of the Pre-IPO Investments and immediately prior to and after the Listing (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Options or the options granted or to be granted under the ESOP or the Share Option Scheme):

Pre-IPO Investors	Number of Shares before completion of the Pre-IPO Investments	Number of Shares as at the date of this prospectus	Number of Shares as at the Listing Date	Ownership percentage as at the date of this prospectus	Ownership percentage as at the Listing Date
Huatuo	–	37,523,753	443,654,371	44.37%	33.27%
NHPE	–	7,835,949	92,646,730	9.26%	6.95%

2. *Summary of material terms of the Pre-IPO Investments*

In connection with the Pre-IPO Investments, the Pre-IPO Investors and the Original Shareholders entered into the Shareholders' Agreement at the time of their investment. The following table sets forth a summary of the material terms of the Pre-IPO Investments:

	NHPE	Huatuo (Phase 1)	Huatuo (Phase 2)
Type of investments	Subscription of new Shares	(i) Subscription of new Shares (ii) Purchase of old Shares from the Original Shareholders	Subscription of new Shares as share consideration
Date of investment	18 May 2016	18 May 2016	25 January 2019
Number of Shares subscribed/purchased	7,835,949 Shares subscribed	(i) 2,592,306 Shares subscribed (ii) 2,592,308 Shares purchased 5,184,614 Shares	32,339,139 Shares subscribed

	NHPE	Huatuo (Phase 1)	Huatuo (Phase 2)
Amount of consideration paid/to be paid	Cash consideration: RMB156,718,980	(i) Cash consideration: RMB51,846,120 (ii) Cash consideration: RMB51,846,160 Total consideration: RMB103,692,280	Share consideration: RMB822,610,560 for the 32,339,139 Shares Cash consideration: RMB411,305,280 Total consideration: RMB1,233,915,840
Cost per Share under the Pre-IPO Investments	Approximately RMB1.69 per Share (equivalent to approximately HK$1.92 per Share at the conversion rate of RMB0.8800 to HK$1.00 for illustration purpose only), calculated on the basis of 92,646,730 Shares to be held by NHPE upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme)	Approximately RMB1.69 per Share (equivalent to approximately HK$1.92 per Share at the conversion rate of RMB0.8800 to HK$1.00 for illustration purpose only), calculated on the basis of 61,299,216 Shares to be held by Huatuo upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme)	Approximately RMB2.15 per Share (equivalent to approximately HK$2.44 per Share at the conversion rate of RMB0.8800 to HK$1.00 for illustration purpose only), calculated on the basis of 382,355,155 Shares to be held by Huatuo upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme)
Date of payment of full consideration	6 July 2016	(i) 6 July 2016 (ii) Settled in three installments, with the last installment made on 8 October 2016	25 January 2019

	NHPE	Huatuo (Phase 1)	Huatuo (Phase 2)
Basis of determination of the consideration	Determination of the consideration for the Pre-IPO Investments was based on arm's length negotiations between our Company and the Pre-IPO Investors after taking into consideration (i) the timing of the investments and the status of our business and operating entities, and (ii) audit assessment.		
Discount to the Offer Price	Approximately 43.20%, calculated based on the Offer Price of HK$3.38, the mid-point of the proposed range of the Offer Price	Approximately 43.20%, calculated based on the Offer Price of HK$3.38, the mid-point of the proposed range of the Offer Price	Approximately 27.81%, calculated based on the Offer Price of HK$3.38, the mid-point of the proposed range of the Offer Price
Use of proceeds from the Pre-IPO Investments	The proceeds from the Pre-IPO Investments have been used for the acquisitions of equity interest in Suzhou Diagvita, Hunan Ankai Jiade and general working capital. As at the Latest Practicable Date, the proceeds have been fully utilised.		No proceeds raised
Strategic benefits brought by the Pre-IPO Investors to our Company	Our Directors are of the view that our Company could benefit from the additional capital provided by the Pre-IPO Investments and that our Company could leverage on the network, knowledge, experience and industry expertise of the Pre-IPO Investors.		
Lock-up period	Nil	Nil	Nil

2017 dividend payment

Vastec HK has declared dividend in the amount of RMB400,000,000 from its accumulated and undistributed profits for the year ended 31 December 2017 to each of our Company (a then-40% shareholder) and Huatuo (a then-60% shareholder) proportional to their respective shareholding interest in Vastec HK prior to completion of the Acquisition (the "**2017 Vastec HK Dividend**"). As a result, the 2017 Vastec HK Dividend payable to our Company amounts to RMB160,000,000, and the 2017 Vastec HK Dividend payable to Huatuo amounts to RMB240,000,000.

IVD International has declared dividend in the amount of RMB69,026,300 from its accumulated and undistributed profits for the year ended 31 December 2017 to our Company as its sole shareholder (the "**2017 IVD International Dividend**").

Our Company has declared dividend in the amount of RMB229,026,300 (being the aggregate of dividends from Vastec HK in the amount of RMB160,000,000 and from IVD International in the amount of RMB69,026,300 as set out above) to the existing Shareholders of our Company, namely King Sun, KS&KL, Lucan Investment, NHPE and Huatuo, proportional to their respective shareholding interest in our Company prior to completion of the Acquisition. Details of the above dividend payable by our Company are set out below:

	Shareholding percentage of our Company before completion of the Acquisition	Amount of dividend payable
KS&KL	28.42%	RMB65,082,883
King Sun	28.42%	RMB65,082,883
Lucan Investment	18.24%	RMB41,776,481
NHPE	15.00%	RMB34,353,946
Huatuo	9.92%	RMB22,730,106
Total	**100.00%**	**RMB229,026,300**

The 2017 Vastec HK Dividend shall be paid by Vastec HK to Huatuo in equal installments of RMB5,000,000 every 90 days since 25 January 2019, until such dividend is paid in full and unless: (i) upon Listing and when the net proceeds of the Global Offering have been received and are available, all outstanding balance of such dividend shall be paid in full within 30 days therefrom; (ii) upon the occurrence of an IPO Termination Event (as defined below), any outstanding balance of such dividend shall thereupon be canceled and forfeited in its entirety.

The 2017 IVD International Dividend shall be paid by IVD International to our Company in equal installments of RMB4,770,000 every 90 days since 25 January 2019, which shall be shared among the existing Shareholders of our Company proportional to their respective shareholding interest in our Company as specified above, until all such dividends are paid in full and unless: (i) upon Listing and when the net proceeds of the Global Offering have been received and are available, all outstanding balance of such dividends shall be paid in full within 30 days therefrom; (ii) upon the occurrence of an IPO Termination Event (as defined below), any outstanding balance of such dividends shall thereupon be canceled and forfeited in its entirety.

As indicated above and as stipulated in the Shareholders' Agreement, the total amount of dividend that will flow out of our Group after completion of the Acquisition (the "**Special Dividend**") is RMB469,026,300, comprising: (i) the 2017 Vastec HK Dividend payable by Vastec HK to Huatuo in the amount of RMB240,000,000; and (ii) the dividend payable by our Company to the existing Shareholders in the amount of RMB229,026,300. A part of the Special Dividend will be paid from approximately 29.8% of the net proceeds of the Global Offering, or HK$306.8 million, whereas the outstanding amount of the Special Dividend will be paid with our own capital resources (including our existing cash resources, as well as available and future banking facilities) in instalments according to the above timeline, unless upon the occurrence of certain events specified above. We shall make an irrevocable instruction to the Underwriters to apply approximately 29.8% of the net proceeds of the Global Offering to settle part of the Special Dividend.

3. Summary of special rights

The following special rights, which have been granted to the Pre-IPO Investors pursuant to the Shareholders' Agreement, will be terminated upon completion of the Global Offering unless otherwise indicated:

Transfer restriction	Transfer of the Shares shall only be made by an Original Shareholder or its permitted transferee if it is a transfer of the entire legal and beneficial interest in the Shares permitted by the Shareholders' Agreement and if the transferee has executed a deed of adherence undertaking, among others, to be bound by the provisions of the Shareholders' Agreement.

Except as otherwise agreed by the Original Shareholders in accordance with the Shareholders' Agreement, no transfer of Shares shall be permitted (i) without the prior written consent of NHPE and Huatuo prior to an initial public offering, and (ii) without the prior written consent of NHPE within three years after completion of a Qualified IPO (as defined below), other than the transfer of up to such percentage of the total equity securities held by the respective Original Shareholders proportional to such percentage of the equity security held by NHPE as at the date of the Shareholders' Agreement then already transferred by NHPE.

A "**Qualified IPO**" means an initial public offering on an internationally recognised stock exchange mutually acceptable to our Company and the Pre-IPO Investors with a pre-offering valuation of our Group of at least RMB3.0 billion, (a) where our Company meets the listing requirements of such stock exchange, and (b) following which our Shares are traded in a freely convertible currency and the Shares held by NHPE can gain full liquidity after the expiration of any lock-up period required by law in connection with such an initial public offering.

Such transfer restriction shall survive upon completion of the Global Offering.

Board appointment right

Each of NHPE and Huatuo is entitled to nominate one and two directors in our Company, respectively.

Each of Mr. Chan Kwok King, Kingsley and Mr. Chen Xingang were appointed to our Board on 21 June 2016 by NHPE and Huatuo, respectively, and Mr. Yang Zhaoxu was appointed to our Board on 25 January 2019 by Huatuo, and they will remain as non-executive Directors upon Listing.

Prior consent for certain corporate actions	Certain corporate actions of our Company require the prior consent of the director(s) nominated by NHPE and/or Huatuo (as the case may be). Such actions include, among others: (a) resolution to liquidate or winding up; (b) amalgamation, consolidation or merger with any other company; (c) alteration of the nature, manner or scope of the business of our Company; and (d) sale or disposal of all or substantially all of our assets.
Information and inspection rights	The Pre-IPO Investors have the right to receive our Company's financial information, business plans, budgets and information regarding our Group, the right to visit our Group's sites and premises and the right to examine the books and records.
Pre-emptive right	Each of the Original Shareholders and the Pre-IPO Investors shall have the right to subscribe up to a pro rata portion of any new securities (except for new securities issued under the ESOP, the Capitalisation Issue and the Global Offering) which our Company may propose to issue in accordance with the terms specified therein.
Right of first refusal	If any of the Original Shareholders and the Pre-IPO Investors proposes to sell or transfer (the "**Selling Shareholder**") any of its equity securities of our Company (the "**Offered Shares**"), the Pre-IPO Investors shall have the right of first refusal to purchase all or part of the Offered Shares on the terms and conditions stated in the transfer notice given by the Selling Shareholder.
Tag-along right	If any of the Original Shareholders desires to sell all or part of its Shares to a third party purchaser, and in the event that the Pre-IPO Investors do not exercise their right of first refusal in respect of such Shares, the Pre-IPO Investors shall enjoy customary tag-along rights to participate in the potential sale with equivalent terms.

Rejected IPO protection

Within 90 days following the occurrence of a Rejected IPO Event (as defined below), the Pre-IPO Investors have the right to require the Original Shareholders or our Company to purchase all or a portion of the equity securities subscribed by the Pre-IPO Investors at a price per Share equal to the original subscription price paid by NHPE and Huatuo (as the case may be) under the NHPE Subscription Agreement and the Huatuo Subscription Agreement, plus an amount that would provide each of the Pre-IPO Investors with an internal rate of return of 20% per annum on each of such Shares subscribed under the NHPE Subscription Agreement and Huatuo Subscription Agreement calculated from the completion of the respective subscription agreements up to and including 180 days after notice from the Pre-IPO Investor(s) of its/their right to exercise such rejected IPO protection.

A "**Rejected IPO Event**" refers to any of the following: (a) (i) our Company has met the listing requirements for a Qualified IPO; (ii) there are no objective market conditions not to proceed with the Qualified IPO; (iii) an initial public offering resolution is placed on the agenda for a meeting of the Board; and (iv) (x) Mr. Chan Kwok King, Kingsley as the Director nominated by NHPE and Mr. Chen Xingang and Mr. Yang Zhaoxu as the Directors nominated by Huatuo vote in favour of the initial public offering resolution at such meeting of the Board and, as a result of any of the other Directors (other than the above three Directors) not voting in favour of such resolution, the resolution could not be passed at such meeting of the Board; or (y) at any subsequent meeting of the Board, our Directors resolve to revoke or rescind the resolution and the above three Directors vote against such rescission of resolution; or (b) following approval of such resolution by the Board, our Group as a whole stops work leading to an initial public offering or fails to use commercially reasonable efforts in taking the steps required to implement the plan.

Anti-dilution	If our Company issues or sells any Shares or other equity securities at an effective price per Share ("**New Issuance Price**") that is less than the subscription price of NHPE or Huatuo (as the case may be) under the NHPE Subscription Agreement and the Huatuo Subscription Agreement (except for the issuance of securities pursuant to the ESOP or with the prior approval of the Directors nominated by NHPE and Huatuo), our Company shall issue such number of additional Shares to the Pre-IPO Investors at a price equal to the following: [(X/Y) x Z]-Z, where: X = the subscription price of NHPE or Huatuo (as the case may be) under the NHPE Subscription Agreement and the Huatuo Subscription Agreement Y = the New Issuance Price Z = the number of Shares subscribed by NHPE or Huatuo (as the case may be) under the NHPE Subscription Agreement and the Huatuo Subscription Agreement, respectively, at the subscription price under the NHPE Subscription Agreement and the Huatuo Subscription Agreement (as the case may be) at the time of the new issuance (as adjusted for any share split or consolidation undertaken by our Company after the completion of such subscription).
Profit guarantee	In the event of the occurrence of any of the following: (i) our Company's actual net income for 2015 is less than the net income target of RMB70,000,000 (the "**2015 Adjustment Event**"): (ii) our Company's actual net income for 2016 is less than the net income target of RMB95,250,000 (the "**2016 Adjustment Event**"); or (iii) our Company's actual net income for 2017 is less than the net income target of RMB131,500,000 (the "**2017 Adjustment Event**"), each of NHPE and Huatuo shall have the right to require the Original Shareholders to, at the discretion of the Original Shareholders,

(a) transfer such number of additional Shares to each of NHPE and Huatuo (as the case may be) at no consideration representing such percentage shareholding interest in our Company after completion of such transfer on a fully-diluted basis in accordance with the following formula:

A = B x [(C/D)-1], where

A = percentage shareholding interest in our Company represented by the adjustment shares on a fully-diluted basis

B = the percentage shareholding interest immediately prior to completion of the transfer of the adjustment shares on a fully-diluted basis represented by the Shares subscribed by NHPE and Huatuo (as the case may be) under the NHPE Subscription Agreement and the Huatuo Subscription Agreement

C = the net income target for 2017

D = the actual net income for 2017, or

(b) make a payment to NHPE and Huatuo (as the case may be) in such amount in accordance with the following formula:

M = N x [1-(C/D)], where

M = the adjustment payment

N = the product of the subscription price and the number of Shares subscribed by NHPE or Huatuo (as the case may be) pursuant to the NHPE Subscription Agreement or the Huatuo Subscription Agreement (as the case may be)

C and D have the same meanings as provided above.

Pursuant to our financial statements, our Company has not met the net income target for 2017 as provided under the Shareholders' Agreement. As such, the Adjustment Event has occurred. As confirmed by our Directors, the reason for failure to meet the net income target for 2017 was primarily due to IVD China's self-branded products business and was unrelated to our Company's core businesses conducted by Vastec (Shanghai) and Dacheng (Shanghai).

Notwithstanding the occurrence of the Adjustment Event, if (a) (i) a Qualified IPO is completed by 31 December 2020; (ii) NHPE or Huatuo (as the case may be) disposes all of its Shares and investment in our Group after completion of an initial public offering; and (iii) the amount that NHPE or Huatuo (as the case may be) receives as consideration exceeds at least 2.5 times of the sum of the subscription price paid by NHPE or Huatuo (as the case maybe) under the NHPE Subscription Agreement and the Huatuo Subscription Agreement, or (b) our Company's Actual Net Income (as defined below) for 2018 meets the net income target of RMB110,000,000 and our Company's Actual Net Income (as defined below) meets the net income target of RMB248,000,000, the right of transfer or payment in respect of profit guarantee shall forthwith terminate, and, if the Shares or payment have already been transferred or made pursuant to the exercise of the right of transfer or payment by NHPE or Huatuo (as the case may be), the Shares and/or payment shall be returned to the Original Shareholders in accordance with the Shareholders' Agreement. Each of the Original Shareholders and the Pre-IPO Investors acknowledges and agrees that each of such net income target for 2018 and 2019 is an agreed reference number for the sole purpose of determining the adjustment mechanism and in no event represent any profit forecast or estimate of our Group for 2018 and 2019.

"**Actual Net Income**" (for 2018 and 2019) means the consolidated net income attributable to equity shareholders of our Company for the corresponding accounting period, after tax and minority interest and before taking into account any exceptional, extraordinary or non-recurring items, as audited by one of the big four accounting firms appointed by the Board, prepared in accordance with IFRS; for the avoidance of doubt, the accounting effect and the expenses which may arise as a result of the initial public offering and the ESOP shall be excluded for determining the net income of our Company, with the formula of which being the following:

$T = X + E$

Where:

T = the Actual Net Income (for the 2018 or 2019 accounting period, as the case may be);

X = the consolidated net income attributable to equity shareholders of our Company for the corresponding accounting period, after tax and minority interest, as audited by one of the big four accounting firms appointed by the Board;

E = the exceptional, extraordinary or non-recurring items, including initial public offering, ESOP expense and so on, as audited by one of the big four accounting firms appointed by the Board, and disclosed through the audit report, prospectus or email confirmation from the appointed big four accounting firm;

Each of the Pre-IPO Investors has confirmed and agreed in the Shareholders' Agreement that it will not request the Original Shareholders to transfer the Shares or to make the payment until the lapse of an event set out above, or until 31 December 2020, whichever is earlier. Assuming that the Pre-IPO Investors decide to exercise such right of payment or transfer in full, (i) the maximum amount of payment which may be paid by the Original Shareholders to NHPE and Huatuo, calculated based on the actual net income for 2017, would be RMB32,933,763, or (ii) the maximum number of Shares which may be transferred from the Original Shareholders to NHPE and Huatuo, calculated based on the actual net income for 2017, would be 1,955,469 Shares (representing approximately 2.31% of the total issued share capital of our Company immediately before the Capitalisation Issue and the Global Offering). Reference will be made to the audited financial statements for the years ending 31 December 2018 and 2019 for the Actual Net Income for 2018 and 2019, respectively.

In accordance with the Stock Exchange's guidance letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017, such profit guarantee is a private agreement between the Original Shareholders, NHPE and Huatuo, and the compensation, if any, would be settled by the Original Shareholders and is not linked to the market price or capitalisation of the Shares.

4. Public float

Huatuo will hold approximately 33.27% of the issued share capital of our Company and become a Controlling Shareholder upon Listing (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Options or the options granted or to be granted under the ESOP or the Share Option Scheme). As such, Huatuo is a core connected person of our Company, and its interest in our Company will not be counted as public float.

Since (i) NHPE will hold approximately 6.95% of the issued share capital of our Company upon Listing (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Options or the options granted or to be granted under the ESOP or the Share Option Scheme) and is not a core connected person of our Company, (ii) the subscription of our Shares by NHPE is not financed directly or indirectly by a core connected person of our Company, and (iii) NHPE is not a person who is accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of the Shares registered in its name or otherwise held by it, the Shares held by NHPE will be counted as public float.

5. Information on the Pre-IPO Investors

NHPE

NHPE is an investment holding company incorporated with limited liability under the laws of the Cayman Islands on 21 January 2016 and beneficially owned by North Haven Private Equity Asia IV, L.P., a Cayman Islands exempted limited partnership managed by the private equity arm of Morgan Stanley. Apart from its shareholding in our Company, NHPE is an independent third party and has no other relationship with our Group or any core connected person of our Company.

Huatuo

Huatuo is a company incorporated under the laws of Hong Kong on 28 March 2011 and wholly owned by Shinva. Huatuo is principally engaged in research and development, import and export trade, provision of information services and investment.

Shinva is a company incorporated under the laws of the PRC on 18 April 1993. It is principally engaged in the manufacturing and sale of medical instruments and equipment in the PRC. Its shares have been listed on the Shanghai Stock Exchange since September 2002 (stock code: 600587).

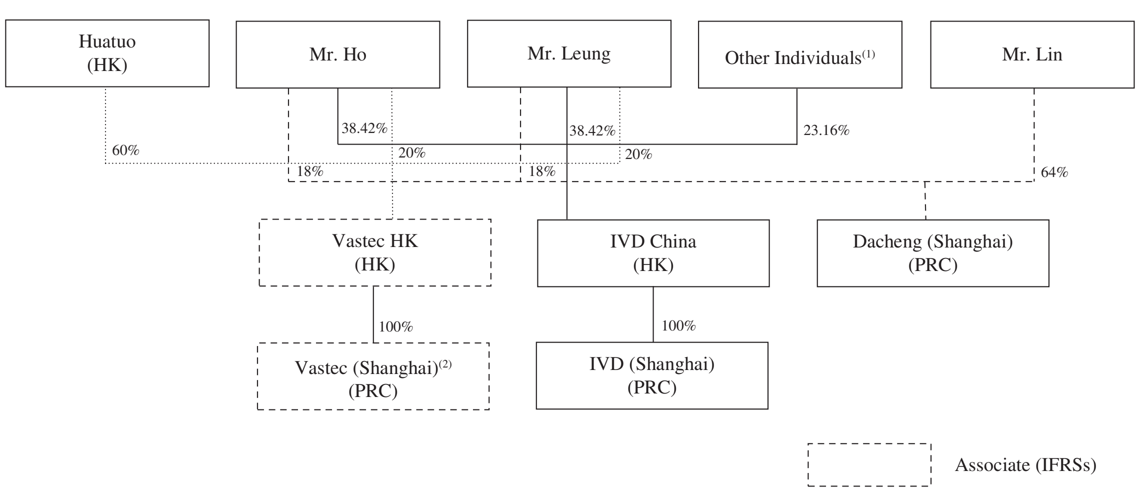
Apart from its shareholding in our Company, each of Huatuo and Shinva is an independent third party and has no other relationship with our Group or any core connected person of our Company.

Sole Sponsor's confirmation

The Sole Sponsor considers that the Pre-IPO Investments by the Pre-IPO Investors are in compliance with the "Interim Guidance on Pre-IPO Investments" and "Guidance on Pre-IPO Investments" issued by the Listing Committee in January 2012 (updated in March 2017) and October 2012 (updated in July 2013 and March 2017), respectively, for the following reasons: (i) the relevant consideration under the Pre-IPO Investments was fully and irrevocably settled and received by us on or before 25 January 2019, which was more than 28 clear days before the date of the first submission of the first listing application form to the Stock Exchange in relation to the Listing; and (ii) all special rights that were granted to the Pre-IPO Investors in the Pre-IPO Investments will be terminated upon completion of the Global Offering, unless otherwise indicated above.

REORGANISATION

The following chart sets forth our Group's corporate and shareholding structure immediately prior to the Reorganisation:



Notes:

(1) The remaining 23.16% issued share capital in IVD China was held by Mr. Yao Lin (a substantial shareholder of IVD China and a director of IVD (Shanghai)), Mr. Ma Jiangtian (a supervisor of IVD (Shanghai)), Mr. Tang Sin Kui (an independent third party), Mr. Pun Fai (a member of our senior management) and Mr. Lee Chung Ho, Donald (an independent third party) as to 12.45%, 4.28%, 1.43%, 2.5% and 2.5%, respectively.

(2) Vastec (Shanghai) has 23 branch offices, namely Vastec (Shanghai) Zhangjiang Branch, Vastec (Shanghai) Wuhan Branch, Vastec (Shanghai) Chongqing Branch, Vastec (Shanghai) Nanchang Branch, Vastec (Shanghai) Chengdu Branch, Vastec (Shanghai) Nanjing Branch, Vastec (Shanghai) Fuzhou Branch, Vastec (Shanghai) Changsha Branch, Vastec (Shanghai) Nanning Branch, Vastec (Shanghai) Hefei Branch, Vastec (Shanghai) Guiyang Branch, Vastec (Shanghai) Hangzhou branch, Vastec (Shanghai) Beijing Branch, Vastec (Shanghai) Zhengzhou Branch, Vastec (Shanghai) Jinan Branch, Vastec (Shanghai) Xi'an Branch, Vastec (Shanghai) Shenyang Branch, Vastec (Shanghai) Changchun Branch, Vastec (Shanghai) Lanzhou Branch, Vastec (Shanghai) Harbin Branch, Vastec (Shanghai) Kunming Branch, Vastec (Shanghai) Shijiazhuang Branch and Vastec (Shanghai) Taiyuan Branch, which were established in the PRC on 28 October 2011, 28 September 2008, 23 August 2010, 27 March 2002, 14 November 2008, 20 May 2009, 16 November 2010, 6 November 2012, 27 November 2013, 12 June 2014, 16 October 2015, 8 October 2016, 13 December 2012, 9 June 2014, 1 September 2011, 28 September 2011, 9 May 2012, 3 July 2014, 30 August 2016, 18 November 2016, 24 May 2018, 18 July 2018 and 29 September 2018, respectively.

In order to prepare for the Listing, our Group underwent the Reorganisation which involved the following steps:

(1) Incorporation of the offshore holding vehicles

Incorporation of Our Company

Our Company was incorporated as an exempted company with limited liability on 15 January 2016 in the Cayman Islands to act as the holding company of our Group. The initial authorised share capital of our Company was US$50,000 divided into 100,000,000 shares of a nominal value of US$0.0005 each. On the date of incorporation, the initial subscriber of our Company, an independent third party, transferred the one Share of US$0.0005 in our Company at nominal value to Lucan Investment, credited as fully paid. Accordingly, our Company was entirely held by Lucan Investment.

Incorporation of the Intermediate Holding Company of Our Group

In preparing for the Listing, IVD International was incorporated under the laws of Hong Kong with limited liability on 29 January 2016. On the date of incorporation, the share capital of IVD International was HK$10,000 consisting of 10,000 shares, all of which were allotted and issued to our Company, credited as fully paid.

(2) Acquisition of 100% equity interest in Dacheng (Shanghai) by IVD International

As part of the restructuring contemplated under the Pre-IPO Investments, on 1 March 2016 (as supplemented by the supplemental agreement dated 28 July 2016), Mr. Ho, Mr. Leung and Mr. Lin as vendors entered into an equity transfer agreement with IVD International as purchaser, pursuant to which each of Mr. Ho, Mr. Leung and Mr. Lin agreed to transfer 18%, 18% and 64% equity interest in Dacheng (Shanghai) to IVD International at a consideration of RMB360,000, RMB360,000 and RMB1,280,000, respectively.

Such consideration was determined with reference to the paid-up registered capital of Dacheng (Shanghai) contributed by each of Mr. Ho, Mr. Leung and Mr. Lin. The consideration was fully settled by IVD International on 11 July 2016, and the transfer of the aforesaid equity interest in Dacheng (Shanghai) was registered with the competent Chinese government authority on 1 April 2016.

Upon completion of the transfer, Dacheng (Shanghai) became a wholly-owned subsidiary of IVD International.

(3) Acquisition of 75% of the issued share capital of IVD China by our Company

As part of the restructuring contemplated under the Pre-IPO Investments, on 26 May 2016, Mr. Ho and Mr. Leung as vendors entered into a sale and purchase agreement with our Company as purchaser, pursuant to which our Company agreed to acquire the aggregate of 24,641,246 shares of IVD China from Mr. Ho and Mr. Leung, representing 75% of the issued share capital of IVD China, of which 12,320,623 shares and 12,320,623 shares were held by each of Mr. Ho and Mr. Leung, respectively. In consideration of the aforementioned transfer, our Company allotted and issued 1,720,676 Shares and 1,720,676 Shares credited as fully paid to each of King Sun (as nominated by Mr. Leung) and KS&KL (as nominated by Mr. Ho), respectively. The consideration shares were allotted and issued on 27 May 2016.

The transfer of the aforesaid shares of IVD China was completed on 20 June 2016. Upon completion of the transfer, IVD China became a non-wholly owned subsidiary of our Company where our Company held 75% of the issued share capital with the remaining 25% issued share capital held by each of Mr. Leung, Mr. Ho, Mr. Yao Lin, Mr. Ma Jiangtian, Mr. Tang Sin Kui, Mr. Pun Fai and Mr. Lee Chung Ho, Donald, as to approximately 0.92%, 0.92%, 12.45%, 4.28%, 1.43%, 2.5% and 2.5%, respectively.

(4) Acquisition of 40% of the issued share capital of Vastec HK by our Company

As part of the restructuring contemplated under the Pre-IPO Investments, on 26 May 2016, Mr. Ho and Mr. Leung as vendors entered into a sale and purchase agreement with our Company as purchaser, pursuant to which our Company agreed to acquire the aggregate of 4,000 shares of Vastec HK from Mr. Ho and Mr. Leung, representing 40% of the issued share capital of Vastec HK, of which 2,000 shares and 2,000 shares were held by each of Mr. Ho and Mr. Leung, respectively. In consideration of the aforementioned transfer, our Company allotted and issued 11,740,503 Shares and 11,740,503 Shares credited as fully paid to each of King Sun (as nominated by Mr. Leung) and KS&KL (as nominated by Mr. Ho), respectively. The consideration shares were allotted and issued on 27 May 2016. The transfer of the aforesaid shares of Vastec HK was completed on 20 June 2016.

Immediately after completion of the acquisition, Vastec HK became an associate of our Company, the shares of which were held as to 40% by our Company and 60% by Huatuo. Subsequently, Vastec HK became a wholly-owned subsidiary of our Company in January 2019. Please see the paragraph headed "– Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors" in this section for further details.

(5) Subscription of Shares by Mr. Ho and Mr. Leung

In order to rationalise the shareholding structure of our Company as contemplated under the Pre-IPO Investments, on 27 May 2016, each of Lucan Investment, King Sun and KS&KL subscribed for 9,528,988 Shares, 2,680,028 Shares and 2,680,028 Shares at a consideration of RMB1,280,000, RMB360,000 and RMB360,000, respectively. Such consideration was determined with reference to the paid-up registered capital of Dacheng (Shanghai) contributed by each of Mr. Lin, Mr. Leung and Mr. Ho. The aforesaid subscription was fully paid on 13 June 2016.

Immediately following completion of the aforesaid allotment and issue of Shares under the acquisitions of IVD China and Vastec HK and the aforesaid subscription, (i) our issued Shares increased from one Share to 41,811,403 Shares, and (ii) our Company was held as to approximately 38.60%, 38.60% and 22.79% by King Sun, KS&KL and Lucan Investment, respectively.

(6) Acquisitions of 51% equity interest in Suzhou DiagVita by IVD China

On 23 February 2016, Mr. Leung Wai Tak, an independent third party, as vendor, entered into a sale and purchase agreement with IVD China, as purchaser, pursuant to which IVD China agreed to acquire 45% equity interest in Suzhou DiagVita at a consideration of RMB1,500,000. The acquisition was made as part of our Group's strategy to expand its market share of medical equipment and consumables in the PRC. Such consideration was determined with reference to the paid-up registered capital of Suzhou DiagVita. The consideration was fully settled by IVD China on 27 June 2016, and the transfer of the aforesaid equity interest in Suzhou DiagVita was registered with the competent Chinese government authority on 15 April 2016.

On 9 July 2016, R&J Greenventure Co., Limited, as vendor, entered into an equity transfer agreement with IVD China, as purchaser, pursuant to which IVD China agreed to acquire 6% equity interest in Suzhou DiagVita at a consideration of RMB3,000,000. Such consideration was determined with reference to the investment cost and taking into account that IVD China would have obtained the controlling stake in Suzhou DiagVita after such transfer. The consideration was fully settled by IVD China on 17 August 2016, and the transfer of the aforesaid equity interest in Suzhou DiagVita was registered with the competent Chinese government authority on 22 August 2016.

Upon completion of the aforesaid equity transfers, Suzhou DiagVita became an indirect non-wholly owned subsidiary of our Company where IVD China held 51% equity interest in Suzhou DiagVita.

(7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors

Phase 1: Pre-IPO Investments in 2016 with NHPE and Huatuo

NHPE Subscription Agreement

As part of the Pre-IPO Investments, on 18 May 2016, our Company, NHPE, Mr. Ho, Mr. Leung and Mr. Lin entered into the NHPE Subscription Agreement, pursuant to which NHPE subscribed for 7,835,949 Shares, representing approximately 15.00% of the then enlarged issued share capital of our Company, at the subscription price of RMB20 per Share, totaling RMB156,718,980 (subject to an upward adjustment with reference to the net income of IVD China and IVD (Shanghai) for the year of 2016). There was no adjustment to the subscription price due to the negative net income of IVD China and IVD (Shanghai) for the year of 2016. The subscription price was fully settled by NHPE on 6 July 2016. The aforesaid Shares subscribed pursuant to the NHPE Subscription Agreement were allotted and issued on 21 June 2016.

Huatuo Subscription Agreement

As part of the Pre-IPO Investments, on 18 May 2016, our Company, Huatuo, Mr. Ho, Mr. Leung and Mr. Lin entered into the Huatuo Subscription Agreement, pursuant to which Huatuo subscribed for 2,592,306 Shares, representing approximately 4.96% of the then enlarged issued share capital of our Company, at the subscription price of RMB20 per Share, totaling RMB51,846,120 (subject to an upward adjustment with reference to the consolidated profit after tax of IVD China and IVD (Shanghai) for the year of 2016). There was no adjustment to the subscription price due to the negative consolidated profit after tax of IVD China and IVD (Shanghai) for the year of 2016. The subscription price was fully settled by Huatuo on 6 July 2016. The aforesaid Shares subscribed pursuant to the Huatuo Subscription Agreement were allotted and issued on 21 June 2016.

Huatuo Share Purchase Agreement

As part of the Pre-IPO Investments, on 18 May 2016, King Sun and KS&KL as vendors, Mr. Ho and Mr. Leung as beneficial owners and Huatuo as purchaser entered into the Huatuo Share Purchase Agreement, pursuant to which Huatuo agreed to acquire the aggregate of 2,592,308 Shares, representing approximately 4.96% of the then enlarged issued share capital of our Company, of which 1,296,154 Shares and 1,296,154 Shares were held by each of Mr. Ho and Mr. Leung, respectively, at the initial purchase price of RMB20 per Share, totaling RMB51,846,160 (subject to a downward adjustment with reference to the consolidated profit of IVD International and/or Vastec HK for the year of 2017). Based on the consolidated profit of IVD International and Vastec HK for the year of 2017, there was no adjustment to the purchase price in accordance with the terms of the Huatuo Share Purchase Agreement. The purchase price was settled by Huatuo in three installments, with the last installment made on 8 October 2016. The transfer of the aforesaid Shares acquired pursuant to the Huatuo Share Purchase Agreement was completed on 21 June 2016.

Immediately following completion of phase 1 of the Pre-IPO Investments, (i) our issued Shares increased from 41,811,403 Shares to 52,239,658 Shares, and (ii) our Company was held as to approximately 28.42%, 28.42%, 18.24%, 15.00% and 9.92% by each of King Sun, KS&KL, Lucan Investment, NHPE and Huatuo, respectively.

Phase 2: Pre-IPO Investment in 2019 with Huatuo

Vastec HK Share Purchase Agreement

With a view to further strengthening our distribution capability and sales network and integrating our distribution business value chain and mitigating the potential impact from the national implementation of the "two invoice system", as part of the Pre-IPO Investments, on 25 January 2019, Huatuo as vendor and our Company as purchaser entered into the Vastec HK Share Purchase Agreement, pursuant to which our Company agreed to acquire 6,000 shares of Vastec HK from Huatuo, representing 60% of the issued share capital of Vastec HK, at a consideration of RMB1,233,915,840, which was settled: (i) as to RMB822,610,560 in the form of equity by the allotment and issue of 32,339,139 new Shares by our Company on 25 January 2019, representing approximately 38.24% of the then enlarged issued share capital of our Company; and (ii) as to RMB411,305,280 in the form of a promissory note in the principal amount of RMB411,305,280 issued in favour of Huatuo by our Company on 25 January 2019, which will be redeemed by our Company in cash in accordance with the redemption schedule as agreed upon in the Vastec HK Share Purchase Agreement, unless upon the occurrence of certain events specified therein. The consideration of RMB1,233,915,840 was determined based on Vastec HK's net asset value as at 31 August 2018 using an income approach as adopted in a valuation report issued by an independent valuer on 6 December 2018. Based on the net asset value of Vastec HK as at 31 August 2018, the consideration for the Acquisition was determined through arm's length negotiation, taking into account various factors including but not limited to the operational performance of Vastec HK and general market condition.

The transfer of 6,000 shares of Vastec HK to our Company was completed on 25 January 2019. Upon completion of the transfer, Vastec HK became a wholly-owned subsidiary of our Company. In exchange, the aforesaid share consideration in the amount of 32,339,139 Shares of our Company were allotted and issued to Huatuo on the same day, and the promissory note for the aforesaid cash consideration in the amount of RMB411,305,280 was issued in favour of Huatuo by our Company on the same day.

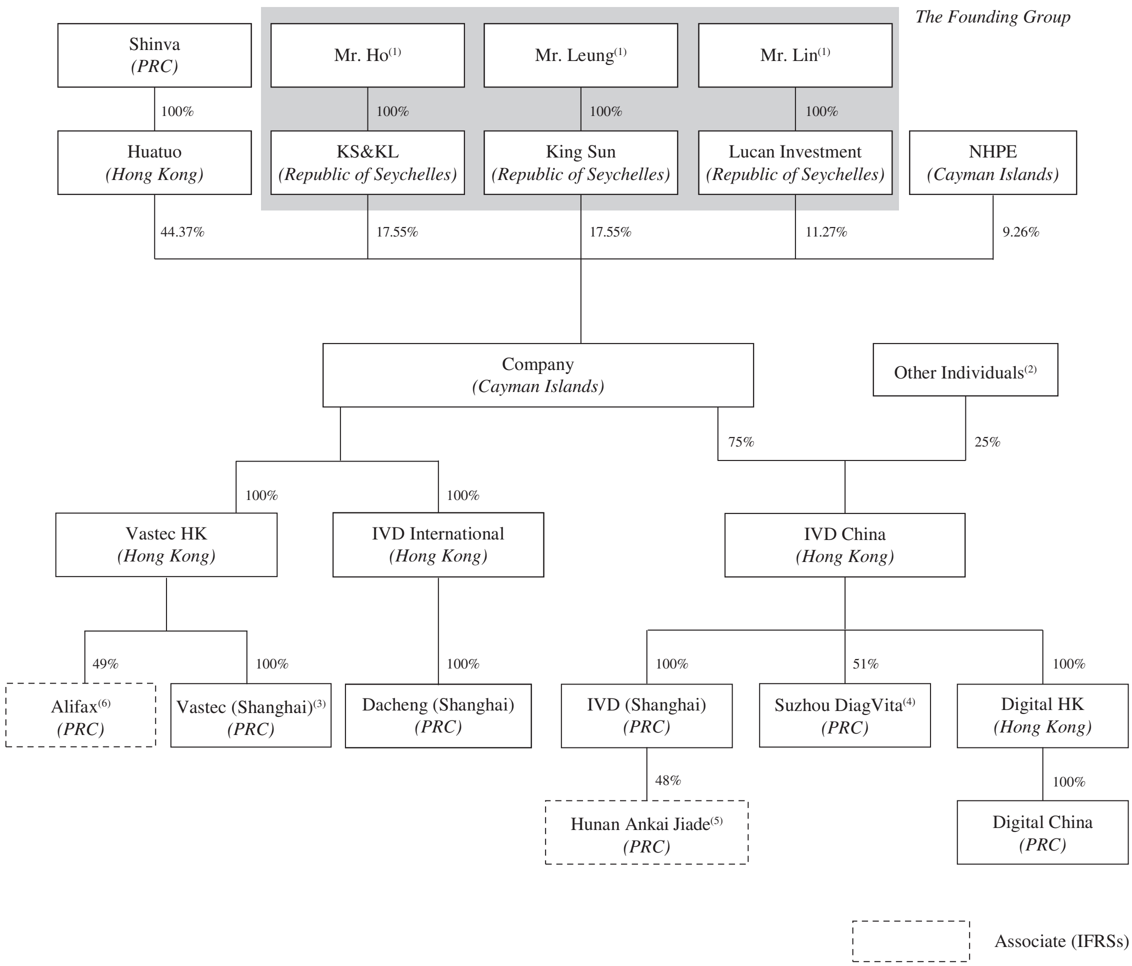
The above promissory note for the cash consideration of RMB411,305,280 will be redeemed by our Company in cash (the "**Deferred Cash Payment**") in the following manners: in equal installments of RMB5,000,000 every 90 days since 25 January 2019, with the last installment payment being the outstanding balance of the Deferred Cash Payment, until all Deferred Cash Payment is paid in full and unless upon the occurrence of any of the following events: (i) upon Listing and when the net proceeds of the Global Offering have been received and are available, all outstanding balance of the Deferred Cash Payment shall be paid in full within 30 days therefrom; (ii) upon the occurrence of an IPO Termination Event (as defined below), our Company shall, within 30 days from the date of such board resolutions approving the IPO Termination Event, use its best endeavours to repay the outstanding balance of the Deferred Cash Payment by cash and confirm with Huatuo on the amount of outstanding balance (if any) which it cannot repay. If our Company is unable to repay all or part of such outstanding balance of the Deferred Cash Payment, Huatuo shall have the right to settle such shortfall by subscribing for new Shares at a subscription price of RMB25.44 per Share within 30 days from the date of such board resolutions approving the IPO Termination Event. Our Company shall then allot and issue such number of new Shares to Huatuo within 10 business days upon receipt of Huatuo's written notice informing our Company of its decision to subscribe for new Shares; or (iii) if our Company fails to settle all of the Deferred Cash Payment on or before 31 December 2020, Huatuo shall have the right to settle such shortfall by subscribing for new Shares at a subscription price of RMB25.44 per Share within 30 days after 31 December 2020. Our Company shall then allot and issue such number of new Shares to Huatuo within 10 business days upon receipt of Huatuo's written notice informing our Company of its decision to subscribe for new Shares.

"**IPO Termination Event**" means when the Board has resolved that our Company shall not proceed with an initial public offering by a simple majority vote, the last day upon which the Board can decide and resolve such IPO Termination Event is 31 December 2020.

Notwithstanding the issue of a promissory note by our Company as part of the consideration for the Acquisition, as confirmed by our legal advisers as to Hong Kong law, the Acquisition was duly and irrevocably completed on 25 January 2019 on the basis that: (i) the transfer of 6,000 shares of Vastec HK by Huatuo to our Company was completed on 25 January 2019; and (ii) the total consideration in the amount of RMB1,233,915,840 for the Acquisition was settled by our Company on 25 January 2019: (a) as to RMB822,610,560 in the form of equity by the allotment and issue of 32,339,139 new Shares by our Company on 25 January 2019; and (b) as to RMB411,305,280 in the form of a promissory note in the principal amount of RMB411,305,280 issued in favour of Huatuo by our Company on 25 January 2019, which will be redeemed by our Company in cash in accordance with the above redemption schedule as agreed upon in the Vastec HK Share Purchase Agreement, unless upon the occurrence of certain events specified therein.

Immediately following completion of phase 2 of the Pre-IPO Investments, (i) our issued Shares increased from 52,239,658 Shares to 84,578,797 Shares, and (ii) our Company was held as to approximately 46.37% by the Founding Group (comprising 17.55% by King Sun, 17.55% by KS&KL and 11.27% by Lucan Investment), 44.37% by Huatuo and 9.26% by NHPE. For further details of the Pre-IPO Investments, please refer to the paragraph headed "– Pre-IPO Investments" in this section.

The following chart sets forth the corporate and shareholding structure of our Group immediately after completion of the Reorganisation:



Notes:

(1) By virtue of the Common Control Confirmation, the Founding Group comprising Mr. Ho, Mr. Leung and Mr. Lin and their respective wholly-owned investment holding companies, namely KS&KL, King Sun and Lucan Investment, will collectively continue to own and control approximately 34.78% of the issued share capital of our Company upon Listing (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Options or the options granted or to be granted under the ESOP or the Share Option Scheme) and will be a group of Controlling Shareholders.

(2) The remaining 25% equity interest in IVD China was held by Mr. Ho (the Chairman, the Chief Executive Officer and an executive Director), Mr. Leung (the Chief Operating Officer and an executive Director), Mr. Yao Lin (a substantial shareholder of IVD China and a director of IVD (Shanghai)), Mr. Ma Jiangtian (a supervisor of IVD (Shanghai)), Mr. Tang Sin Kui (an independent third party), Mr. Pun Fai (a member of our senior management) and Mr. Lee Chung Ho, Donald (an independent third party) as to 0.92%, 0.92%, 12.45%, 4.28%, 1.43%, 2.5% and 2.5%, respectively.

(3) Vastec (Shanghai) has 23 branch offices, namely Vastec (Shanghai) Zhangjiang Branch, Vastec (Shanghai) Wuhan Branch, Vastec (Shanghai) Chongqing Branch, Vastec (Shanghai) Nanchang Branch, Vastec (Shanghai) Chengdu Branch, Vastec (Shanghai) Nanjing Branch, Vastec (Shanghai) Fuzhou Branch, Vastec (Shanghai) Changsha Branch, Vastec (Shanghai) Nanning Branch, Vastec (Shanghai) Hefei Branch, Vastec (Shanghai) Guiyang Branch, Vastec (Shanghai) Hangzhou branch, Vastec (Shanghai) Beijing Branch, Vastec (Shanghai) Zhengzhou Branch, Vastec (Shanghai) Jinan Branch, Vastec (Shanghai) Xi'an Branch, Vastec (Shanghai) Shenyang Branch, Vastec (Shanghai) Changchun Branch, Vastec (Shanghai) Lanzhou Branch, Vastec (Shanghai) Harbin Branch, Vastec (Shanghai) Kunming Branch, Vastec (Shanghai) Shijiazhuang Branch and Vastec (Shanghai) Taiyuan Branch, which were established in the PRC on 28 October 2011, 28 September 2008, 23 August 2010, 27 March 2002, 14 November 2008, 20 May 2009, 16 November 2010, 6 November 2012, 27 November 2013, 12 June 2014, 16 October 2015, 8 October 2016, 13 December 2012, 9 June 2014, 1 September 2011, 28 September 2011, 9 May 2012, 3 July 2014, 30 August 2016, 18 November 2016, 24 May 2018, 18 July 2018 and 29 September 2018, respectively.

(4) Suzhou DiagVita was established under the laws of the PRC on 15 July 2011 as a limited liability company. For further details regarding Suzhou DiagVita, please refer to the paragraph headed "– Corporate Development – Our Subsidiaries in the PRC – Suzhou DiagVita" in this section.

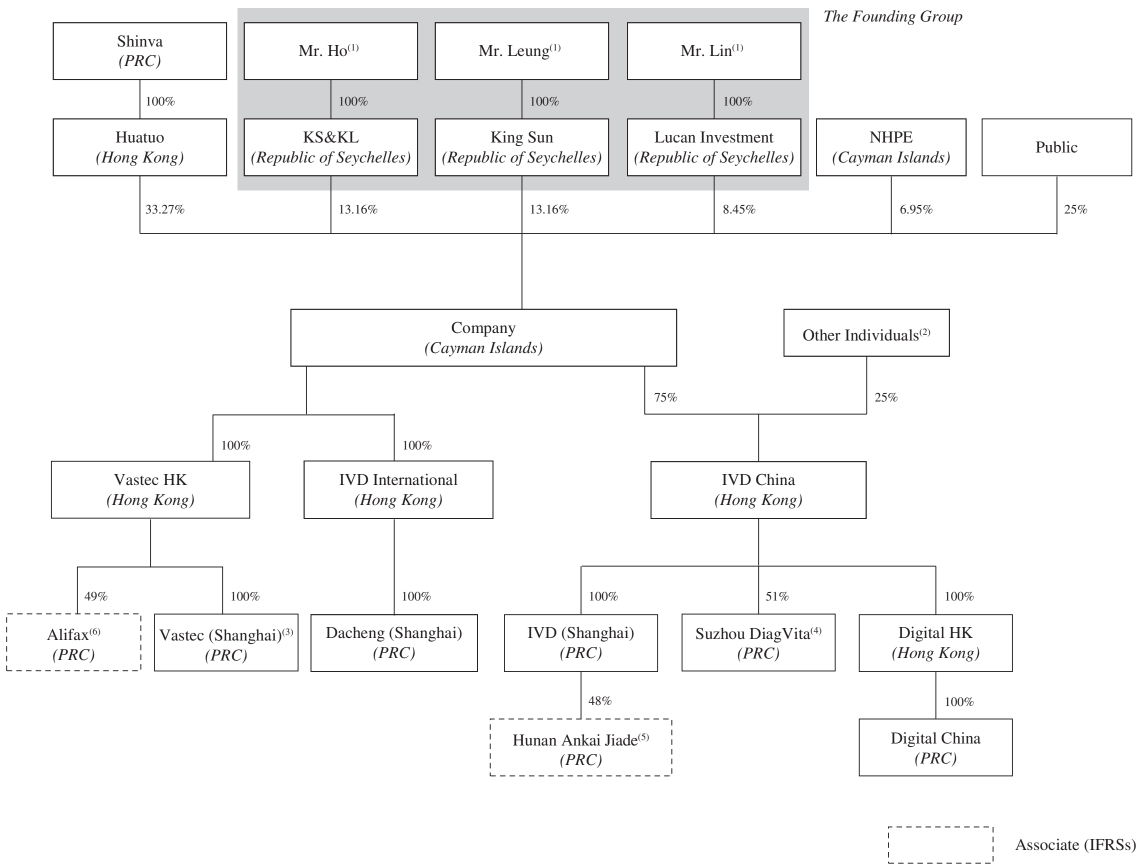
(5) Hunan Ankai Jiade was established under the laws of the PRC on 1 August 2012 as a limited liability company. For further details regarding Hunan Ankai Jiade, please refer to the paragraph headed "– Corporate Development – Interests in Associates – Hunan Ankai Jiade" in this section.

(6) Alifax was established under the laws of the PRC on 29 May 2015 as a limited liability company. For further details regarding Alifax, please refer to the paragraph headed "– Corporate Development – Interests in Associates – Alifax" in this section.

THE CAPITALISATION ISSUE AND GLOBAL OFFERING

Conditional upon the fulfilment or waiver (as the case may be) of the conditions as stated in the section headed "Structure and Conditions of the Global Offering" in this prospectus and the share premium account of our Company being credited with the proceeds of the Global Offering, our Company will capitalise all or a portion, as the case may be, of the balance of the share premium account and apply such sum in paying up in full at par a total of 915,421,203 Shares for allotment and issue to the existing shareholders of our Company, namely King Sun, KS&KL, Lucan Investment, NHPE and Huatuo, in proportion to their respective percentage of shareholding in our Company prior to the Global Offering. Immediately after the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), each of the Founding Group (comprising King Sun, KS&KL and Lucan Investment), Huatuo and NHPE and the public holders of Shares will hold approximately 34.78% (comprising 13.16%, 13.16% and 8.45%), 33.27%, 6.95% and 25.00%, respectively, of the enlarged issued share capital of our Company.

The following chart sets forth our shareholding structure immediately following completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme):



Notes:

(1) By virtue of the Common Control Confirmation, the Founding Group comprising Mr. Ho, Mr. Leung and Mr. Lin and their respective wholly-owned investment holding companies, namely KS&KL, King Sun and Lucan Investment, will collectively continue to own and control approximately 34.78% of the issued share capital of our Company upon Listing and will be a group of Controlling Shareholders.

(2) The remaining 25% equity interest in IVD China was held by Mr. Ho (the Chairman, the Chief Executive Officer and an executive Director), Mr. Leung (the Chief Operating Officer and an executive Director), Mr. Yao Lin (a substantial shareholder of IVD China and a director of IVD (Shanghai)), Mr. Ma Jiangtian (a supervisor of IVD (Shanghai)), Mr. Tang Sin Kui (an independent third party), Mr. Pun Fai (a member of our senior management) and Mr. Lee Chung Ho, Donald (an independent third party) as to 0.92%, 0.92%, 12.45%, 4.28%, 1.43%, 2.5% and 2.5%, respectively.

(3) Vastec (Shanghai) has 23 branch offices, namely Vastec (Shanghai) Zhangjiang Branch, Vastec (Shanghai) Wuhan Branch, Vastec (Shanghai) Chongqing Branch, Vastec (Shanghai) Nanchang Branch, Vastec (Shanghai) Chengdu Branch, Vastec (Shanghai) Nanjing Branch, Vastec (Shanghai) Fuzhou Branch, Vastec (Shanghai) Changsha Branch, Vastec (Shanghai) Nanning Branch, Vastec (Shanghai) Hefei Branch, Vastec (Shanghai) Guiyang Branch, Vastec (Shanghai) Hangzhou branch, Vastec (Shanghai) Beijing Branch, Vastec (Shanghai) Zhengzhou Branch, Vastec (Shanghai) Jinan Branch, Vastec (Shanghai) Xi'an Branch, Vastec (Shanghai) Shenyang Branch, Vastec (Shanghai) Changchun Branch, Vastec (Shanghai) Lanzhou Branch, Vastec (Shanghai) Harbin Branch, Vastec (Shanghai) Kunming Branch, Vastec (Shanghai) Shijiazhuang Branch and Vastec (Shanghai) Taiyuan Branch, which

were established in the PRC on 28 October 2011, 28 September 2008, 23 August 2010, 27 March 2002, 14 November 2008, 20 May 2009, 16 November 2010, 6 November 2012, 27 November 2013, 12 June 2014, 16 October 2015, 8 October 2016, 13 December 2012, 9 June 2014, 1 September 2011, 28 September 2011, 9 May 2012, 3 July 2014, 30 August 2016, 18 November 2016, 24 May 2018, 18 July 2018 and 29 September 2018, respectively.

(4) Suzhou DiagVita was established under the laws of the PRC on 15 July 2011 as a limited liability company. For further details regarding Suzhou DiagVita, please refer to the paragraph headed "– Corporate Development – Our Subsidiaries in the PRC – Suzhou DiagVita" in this section.

(5) Hunan Ankai Jiade was established under the laws of the PRC on 1 August 2012 as a limited liability company. For further details regarding Hunan Ankai Jiade, please refer to the paragraph headed "– Corporate Development – Interests in Associates – Hunan Ankai Jiade" in this section.

(6) Alifax was established under the laws of the PRC on 29 May 2015 as a limited liability company. For further details regarding Alifax, please refer to the paragraph headed "– Corporate Development – Interests in Associates – Alifax" in this section.

CHINESE REGULATORY REQUIREMENTS

In relation to all of the transfers of equity interest, investments and increases in registered capital in our subsidiaries established in the PRC as described in this section, our PRC Legal Adviser has confirmed that all requisite approvals from and/or registrations with the competent Chinese government authorities have been obtained and/or made and that all relevant PRC laws and regulations have been complied with.

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in China

According to the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產管理監督委員會), the SAT, the CSRC, SAIC and the SAFE on 8 August 2006 and effective as at 8 September 2006 and amended in June 2009, where a domestic company, enterprise or natural person intends to acquire its/his/her related domestic company in the name of an offshore company which it/he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC. According to the Guiding Handbook on Access Administration of Foreign Investment (Version 2008) (Shang Zi Fu Zi [2008] No. 530) (《外商投資准入管理手冊》(2008年版)), the M&A Rules do not apply *mutatis mutandis* to equity transfers of an established foreign-invested enterprise by the domestic party to foreign parties, regardless of any affiliated relationships among such parties and whether or not the foreign parties are the original shareholders or new investors. The domestic company referred to in the M&A Rules refers to a domestic enterprise.

As advised by our PRC Legal Adviser, at the relevant time of the Reorganisation: (i) in respect of the acquisition of Dacheng (Shanghai) by IVD International, since Dacheng (Shanghai) was a foreign-invested enterprise prior to such acquisition, the transfer of 100% equity interest in Dacheng (Shanghai) by its original shareholders, being Mr. Ho, Mr. Leung and Mr. Lin, to IVD International, being a foreign investor, does not fall within the scope of the M&A Rules; (ii) in respect of the acquisition of Suzhou DiagVita by IVD China, since Suzhou DiagVita was a foreign-invested enterprise prior to such acquisition, the transfer of 45% equity interest in Suzhou DiagVita by its original shareholder, being Mr. Leung Wai Tak, to IVD China, being a foreign investor, does not fall within the scope of the M&A Rules; and (iii) the other foreign-invested enterprises held by our Company (namely, Digital China, IVD (Shanghai) and Vastec (Shanghai)) are all newly established as opposed to being established by way of acquiring domestic companies, and the previous equity transfers of these companies did not involve acquisition by foreign investor(s) of a domestic company and only constituted change of shareholder under the Provisions for the Alteration of Investors' Equities in Foreign-invested Enterprises (《外商投資企業投資者股權變更的若干規定》). Hence, the M&A Rules are not applicable, and approval from the MOFCOM, the CSRC or other Chinese government authorities for the Listing is not required.

SAFE Registration in China

On 4 July 2014, the SAFE issued the Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Round-trip Investment Conducted by Domestic Residents via Special-purpose Vehicles (Hui Fa [2014] No. 37) (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular No. 37**"). According to the SAFE Circular No. 37, with respect to a registered overseas special purpose vehicle, any changes made to the Chinese residency of its individual shareholders, its name, term of operation or other basic information, or other material information, such as the increase or reduction of capital contribution or transfer, or swap of equity by any shareholder, or merger or de-merger of such registered special purpose vehicle, the shareholders shall promptly re-register such changes with the competent foreign exchange authority.

As confirmed by our PRC Legal Adviser, in relation to the incorporation of Lucan Investment as an investment vehicle, Mr. Lin, being a Chinese citizen, has completed the registration process required under the SAFE Circular No. 37 on 25 January 2016.

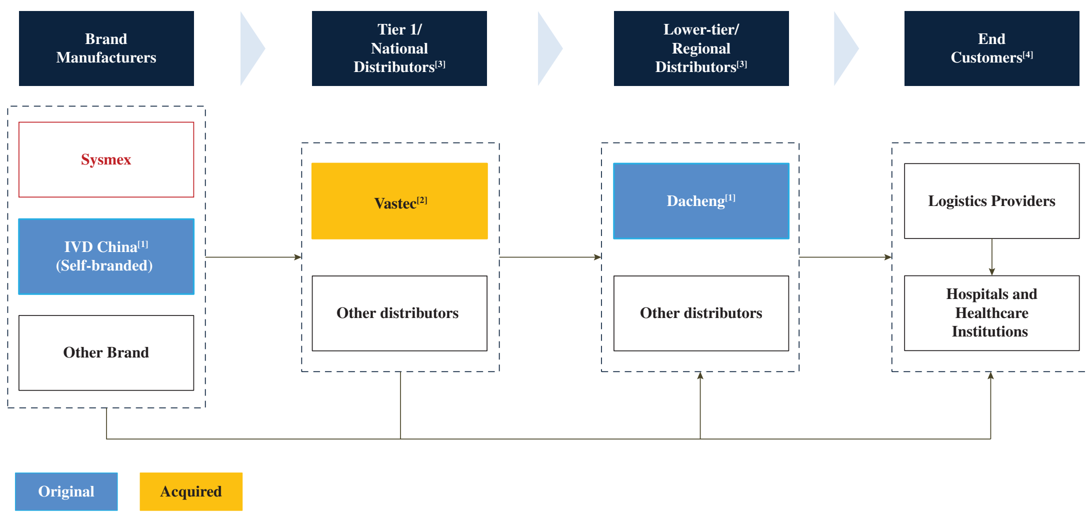
OVERVIEW

We are a distributor of IVD products in the PRC, with our Original Group being the third largest distributor in the Shanghai IVD market and Vastec being the fourth largest tier 1 distributor in the PRC IVD market in 2018. We also engage in the research, development, manufacturing and sales of our self-branded IVD products under the brand name "IVD". We have been able to steadily grow our market share and profits in a highly fragmented industry by taking advantage of our competitive and diverse product portfolio, expansive distribution network and extensive hospital coverage.

According to Frost & Sullivan, our Original Group was the third largest distributor in the Shanghai IVD market in 2018 with a market share of approximately 9.9% by revenue. Specifically, our Original Group's Sysmex haemostasis products had the largest market share of approximately 54.4% by revenue in the Shanghai haemostasis products market in 2018. Vastec, a subsidiary that we acquired in January 2019, was one of the leading tier 1 distributors of IVD products in 2018 in the PRC. According to Frost & Sullivan, Vastec was the fourth largest tier 1 distributor with a market share of approximately 2.4% among all tier 1 distributors by revenue in the PRC IVD market in 2018. In addition, Vastec has been the sole national distributor of Sysmex' haemostasis products, with exclusive distribution rights in the PRC since 1997. Its Sysmex haemostasis products had a market share of approximately 37.9% by revenue in 2018 in the PRC, representing the largest market share among all tier 1 distributors in the PRC haemostasis products market.

During the Track Record Period, our Original Group primarily engaged in the distribution of IVD products, including analysers, reagents and other consumables, in Shanghai primarily through its wholly owned subsidiary Dacheng. Since 2012, Dacheng has been a regional distributor of Sysmex' haemostasis products in Shanghai for Vastec. Vastec has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997. Founded in 1968, Sysmex is a Japanese company listed on the Tokyo Stock Exchange.

Vastec was an associated company of our Original Group before the Acquisition, and was also largely under the same core management team through Mr. Leung and Mr. Ho. In order to integrate the distribution value chain and to mitigate the potential impact from the national implementation of the "two invoice system", we acquired the remaining 60% equity interest in Vastec in January 2019. After the Acquisition, Vastec became our wholly-owned subsidiary. The following diagram illustrates the different business focus of our Original Group and our recently acquired Vastec:



Notes:

(1) Dacheng and IVD China are the subsidiaries of our Original Group.

(2) Vastec was a 40% equity associated company of our Original Group and the remaining 60% equity interest was acquired in January 2019.

(3) There are multiple layers of lower-tier or regional distributors between tier 1 distributors and end customers. A distributor may be a tier 1 distributor for one IVD product and a lower-tier distributor for another IVD product.

(4) According to Frost & Sullivan, sales through logistics providers to the hospitals and healthcare institutions are deemed as sales to end customers.

Our business can be broadly categorised into the following three segments:

- ***Distribution Business – through our Original Group:*** The distribution of IVD products primarily through Dacheng forms the cornerstone of our Original Group's business. It primarily involves the trading of IVD analysers, reagents and other consumables to customers such as hospitals and healthcare institutions, logistics providers and distributors in Shanghai. In addition, our Original Group provides solution services to the clinical laboratories of hospitals through its wholly owned subsidiary Dacheng. This has enabled our Original Group to establish and maintain direct relationships with medical practitioners so as to keep us close to the frontline of the medical practice and the market demand of IVD products. Our distribution business represented approximately 97.5%, 94.4% and 98.7% of our Original Group's total revenue for the years ended 31 December 2016, 2017 and 2018, respectively.

- ***Distribution Business – through Vastec:*** Vastec has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights to distribute haemostasis analysers, reagents and other consumables, to regional distributors in the PRC since 1997. Vastec also provided maintenance services to its end customers. Revenue generated from the distribution of IVD products represented 100%, approximately 95.8% and 93.4% of Vastec's total revenues for the years ended 31 December 2016, 2017 and 2018, respectively while revenue generated from the provision of maintenance services contributed nil, approximately 4.2% and 6.6% of Vastec's total revenue for the same period, respectively.

- ***Self-branded Products Business – under our brand name "IVD":*** We also engage in the research, development, manufacturing and sales of IVD analysers and reagents under our own brand. Our self-branded products business represented approximately 2.5%, 5.6% and 1.3% of our Original Group's total revenue for the years ended 31 December 2016, 2017 and 2018.

Through years of operations, we have established an expansive distribution network which covers 28 provinces, municipalities and autonomous regions in the PRC with an extensive hospital coverage. According to Frost & Sullivan, our Original Group had a hospital coverage of 40 Class III hospitals which represented approximately 85.1% coverage of Class III hospitals in Shanghai by 31 December 2018. Vastec on the other hand had a competitive hospital coverage of 1,080 Class III hospitals primarily through its lower-tier distribution network which represents approximately a 42.4% coverage of Class III hospitals in the PRC by 31 December 2018. According to Frost & Sullivan, Class III hospitals have the highest patient visits, accounting for 49.9% of total visits to hospitals in the PRC. There are 2,340 Class III hospitals in the PRC, constituting a 7.5% share of the total number of hospitals in the PRC in 2017. Our Directors believe that our distribution network significantly consolidates our leading position in the IVD products market in the PRC and we will continue to penetrate new hospitals that are currently not covered by our distribution network.

We also place a great emphasis on the development, manufacturing and sales of our self-branded IVD products targeting the domestic IVD market so as to capitalise on our accumulated industry experience. In order to capture the opportunities arising from the increasing demand for domestic IVD products, we started to design IVD analysers in 2011. In addition, we acquired 51% equity interests of Suzhou DiagVita, a domestic IVD products manufacturer, in September 2016 and began to develop and manufacture our self-branded IVD reagents. With our dedicated research and development team, we believe that we possess the necessary technology and infrastructure for the continuous development of our self-branded products.

For the years ended 31 December 2016, 2017 and 2018, our Original Group recorded a total revenue of approximately RMB290.4 million, RMB338.3 million and RMB413.6 million, respectively, and recorded a net profit of approximately RMB57.2 million, RMB112.6 million, and RMB99.5 million for the same periods, respectively. For the years ended 31 December 2016, 2017 and 2018, Vastec recorded a total revenue of approximately RMB1,380.9 million, RMB1,595.6 million and RMB1,852.5 million, respectively, and recorded a net profit of approximately RMB138.8 million, RMB174.1 million and RMB192.2 million for the same periods, respectively. As the Acquisition was completed after 31 December 2018, the financial performance of Vastec during the Track Record Period had not been consolidated into those of our Original Group. Please refer to the section headed "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" in Appendix IIIB to this prospectus for our pro forma financial information as if the Acquisition had been completed on 1 January 2018.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success, differentiated us from our competitors, and will continue to be the key drivers of our growth:

Leading regional distributor in the Shanghai IVD market and tier 1 distributor in the fast-growing PRC IVD market

During the Track Record Period, our Original Group engaged in the distribution of IVD products primarily through its wholly owned subsidiary Dacheng. Dacheng has been a regional distributor of Sysmex' haemostasis products in Shanghai for Vastec for six years. It has also been a regional distributor for Sysmex' urinalysis products in Shanghai since April 2016. According to Frost & Sullivan, our Original Group was the third largest distributor in the Shanghai IVD market in 2018 with a market share of approximately 9.9% by revenue. Specifically, its Sysmex haemostasis products had the largest market share of approximately 54.4% by revenue in the Shanghai haemostasis products market in 2018. In addition, our Original Group had the largest market share of approximately 44.8% by revenue for Sysmex' urinalysis products in the Shanghai urinalysis market in 2018.

Vastec was the leading tier 1 distributor in the PRC IVD market in 2017. It has been the sole national distributor for Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997. Through years of operations, Vastec has successfully established a competitive hospital coverage of 1,080 Class III hospitals, which represents a coverage of approximately 42.4%, primarily through its lower-tier distribution network in the PRC, by 31 December 2018. According to Frost & Sullivan, it was the fourth largest tier 1 distributor in the PRC IVD market in 2018 with a market share of approximately 2.4% by revenue. In particular, Vastec's Sysmex' haemostasis products had a market share of approximately 37.9% by revenue in 2018 in the PRC, representing the largest market share generated from all tier 1 distributor pricing levels in the PRC haemostasis products market.

According to Frost & Sullivan, the PRC IVD industry is evolving and growing rapidly, with a market size that increased from RMB29.3 billion in 2014 to RMB71.3 billion in 2018, representing a CAGR of 24.9% and it is projected to reach RMB173.0 billion by 2023, representing a CAGR of 19.4%. In the future, the PRC IVD market is expected to grow incrementally, attributable to an ageing population, the growth of the medical expenses per capita and continuous technological development. The Acquisition consolidates our leading position as a distributor in the PRC IVD market. Leveraging on the effects from the synergy and integration of our distribution coverage and market share followed by the Acquisition, we will be able to continuously capture the market opportunities and enjoy the benefits of the growth of the PRC IVD market.

Expansive distribution network with extensive hospital coverage

Prior to the Acquisition, our Original Group has been focusing its operation on the Shanghai IVD market and has established an extensive hospital coverage by maintaining relationships with hospitals and healthcare institutions in Shanghai. Over the years of operations, our Original Group has established an extensive hospital coverage that covers 40 Class III hospitals in Shanghai, representing approximately an 85.1% coverage of Class III hospitals in Shanghai by 31 December 2018. According to Frost & Sullivan, Class III hospitals have the most patient visits, accounting for 49.9% of total visits to hospitals in the PRC, while there are 2,340 Class III hospitals, constituting a 7.5% share of the total number of hospitals in the PRC in 2017. In addition, our Original Group has built up an expansive distribution network. As at 31 December 2018, our Original Group had 88 direct customers, including hospitals and healthcare institutions, and 202 distributors in its established distribution network, spanning across 24 provinces and municipalities in the PRC.

Vastec is known as a leading tier 1 distributor and it has established a competitive nationwide distribution network with broad geographic reach in the PRC. Supported by more than 400 distributors including Dacheng, Vastec's distribution network reaches approximately 1,080 Class III hospitals, representing a 42.4% coverage of Class III hospitals in the PRC by 31 December 2018. According to Frost & Sullivan, Vastec's hospital coverage ranked third among tier 1 distributors in the PRC IVD market in 2018. As at 31 December 2018, Vastec had 764 distributors primarily spanning across 28 provinces, municipalities and autonomous regions in the PRC.

Our expansive distribution network and extensive hospital coverage has brought us a competitive advantage in obtaining and/or negotiating variable distribution rights with IVD manufacturers or upper tier distributors. This has enabled our end customers to establish and maintain direct relationships with medical practitioners, keeping us in the forefront of the IVD market so that we will be able to diversify our product portfolio and efficiently respond to any changes in our customers' demands.

Existing installation capacity of IVD analysers to secure the recurring income stream from sales of IVD reagents

A typical IVD test requires an IVD analyser utilising specified IVD reagents and consumables to produce a test result. As each IVD analyser model has a dedicated diagnostic purpose, certain reagents and consumables will be needed in order to perform the relevant IVD tests. Due to this correlation between an IVD analyser and the requisite IVD reagents, we believe that there will be a continuous demand created for the reagents and this provides us with a stable recurring income stream as we will continue to sell IVD reagents to our customers after installing the IVD analysers at their hospitals and healthcare institutions. During the Track Record Period, approximately 95.8%, 92.1% and 89.8% of Original Group's revenue of distribution business was derived from the sales of reagents and other consumables. During the Track Record Period, approximately 72.2%, 77.4% and 79.2% of Vastec's revenue of distribution business was generated from the sales of reagents and other consumables. Thus, our Directors believe that any increase in the number of analysers installed by us will lead to an increase in our sales of IVD reagents to our financial performance.

As at 31 December 2016, 2017 and 2018, to the best of our knowledge, accumulatively there were approximately 178, 210 and 236 of Sysmex' haemostasis IVD analysers and 43, 88 and 145 Sysmex' urinalysis analysers installed by our Original Group at the hospitals and healthcare institutions, respectively and primarily in Shanghai. As at 31 December 2016, 2017 and 2018, to the best of our knowledge, accumulatively there were approximately 4,650, 5,462 and 6,359 of Sysmex' haemostasis IVD analysers installed at the hospitals and healthcare institutions in the PRC. During the Track Record Period, our Original Group and Vastec have experienced a revenue compound annual growth rate of approximately 16.5% and 17.2%, respectively, from the sales of reagents as a result of the continuous increase in the number of IVD analysers installed in hospitals and healthcare institutions.

Stable and good business relationship with internationally renowned IVD suppliers to build up a diversified product portfolio

We believe that a stable and good relationship with internationally renowned IVD suppliers is one of the factors to achieve our success among IVD products distributors in the PRC. We devoted substantial efforts in securing a stable supply of IVD products that meet our customers' requirement on quality and at competitive prices. One of such renowned IVD suppliers is Sysmex, of which we have the exclusive national distribution rights for its haemostasis products.

Founded in 1968, Sysmex' business has been focused on the IVD field. According to Frost & Sullivan, Sysmex was the market leader in the PRC haemostasis market with a market share of approximately 43.9% by revenue in 2018. In addition, Sysmex ranked second in the PRC urinalysis market with a market share of approximately 29.7% by revenue in 2018. Dacheng has been a regional distributor of Sysmex' haemostasis products in Shanghai for six years and it has been a regional distributor for Sysmex' urinalysis products in Shanghai since April 2016. Vastec is known as a leading distributor in the PRC IVD market and has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997. With our solid and long-standing relationship with Sysmex, Dacheng's Sysmex' haemostasis products had the largest market share of approximately 54.4% by revenue in the Shanghai haemostasis market in 2018, while Vastec's Sysmex haemostasis products had the largest market share of approximately 37.9% by revenue in the PRC haemostasis market in 2018.

In addition, we are committed to establish and maintain a solid relationship with our other suppliers. In order to achieve this, we provide value-added services such as training services to end customers. Our sales staff will organise promotional events to introduce and promote the IVD products to end customers. After the sales of products, our marketing staff will also share ideas with our laboratory staff and obtain feedback on the quality of our products. By providing such services to the end customers of our suppliers, we were able to help more than 40 international brands including Sysmex and Siemens to cater to the mid to high-end IVD market and in return secure distribution rights from more brands. As at the Latest Practicable Date, our product portfolio mainly covered four out of the six major IVD testing categories including haematology and body fluid, clinical chemistry, immunoassay and POCT.

We believe that our solid relationship with suppliers and our diversified product portfolio constitute a competitive advantage, differentiate us from our competitors and allow us to achieve and benefit from economies of scale.

Capable to produce self-branded IVD products to vertically integrate our IVD products supply chain

We are one of the IVD distributors in the PRC that also possess IVD product development and production capabilities. According to Frost & Sullivan, with a pricing advantage, domestic IVD manufacturers have been capturing an increasing share in the lower-end markets such as low-level hospitals and primary healthcare institutions. With further investments in research and development and with policies favourable of domestic substitution, domestic IVD manufacturers will play a more important role in the future PRC IVD market. In order to capitalise our experience accumulated from our years of experience in the IVD market and to capture the developing trends in the mid to low-end IVD market, we commenced our self-branded products business in 2009. To further expand the self-branded products business, our Original Group acquired 51% equity interests of Suzhou DiagVita, a domestic IVD manufacturer, in September 2016, and began to develop and manufacture self-branded IVD reagents. Since 2011, we have developed various self-branded IVD products and have obtained ten patents in the PRC. As at the Latest Practicable Date, multiple patents have been commercially applied in the production process. For details of the patents, please refer to the section headed "Statutory and General Information – Intellectual Property Rights of our Group" in Appendix V to this prospectus.

During the Track Record Period, the gross profit margin derived from our self-branded products business was higher than the gross profit margin derived from our distribution business through our Original Group. Please refer to the section headed "Financial Information of our Original Group – Year to year comparison of results of operation" in this prospectus for details. We believe that as we gradually increase the proportion of our self-branded products business, there will continue to be a positive impact on our financial performance.

Experienced and committed professional management and sales teams with proven track record

Our co-founders and executive Directors, Mr. Ho and Mr. Leung, have an extensive experience in the IVD industry in the PRC. They have been engaged in the sales and distribution of IVD products in the PRC for around 25 years. Through Mr. Ho, Mr. Leung and Mr. Lin's involvement, we have built a strong team of experienced professionals in operations, general management and financial management through years of operation. The key members of our management team have an average of 20 years' experience in the IVD industry. With keen business insight developed from years of experience in the IVD market, they can discover and grasp existing and potential business opportunities. Mr. Ho, our executive Director, has also been awarded as the EY Entrepreneur of the Year China in 2017. Please refer to the section headed "Directors and senior management" in this prospectus for further details and biographies of our Directors and senior management.

We have an experienced sales and marketing team that has built up significant local market know-how and expertise, including an understanding of local customers' preferences and maintaining stable relationship with local distribution channels. We believe that our experienced senior management team has played a key role in leading the operation and development strategies and in providing us with industry and operational knowledge, which have been and will continue to be the key to our success in our future operations and profitability.

OUR BUSINESS STRATEGIES

We aim to continue the growth and expansion of our operations in the PRC through the following strategic initiatives:

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

The IVD market has been rapidly growing in the PRC over the past few years, according to Frost & Sullivan, the PRC IVD market size has increased from RMB29.3 billion in 2014 to RMB71.3 billion in 2018 with a CAGR 24.9%. By 2023, the PRC IVD market size is projected to reach RMB173.0 billion. In the future, the IVD market can be expected to grow incrementally, attributing to an ageing population, the growth of medical expenses per capita and the continuous technological development.

To capitalise on the high growth potential in the IVD market, we aim to continuously expand our product portfolio by diversifying our product categories, increasing our brand coverage and to further expand the breadth of our distribution network and hospital coverage. To achieve these purposes, we intend to (i) diversify our product portfolio in order to respond to the evolving market by establishing and/or maintaining relationship with well-known IVD manufacturers or suppliers by way of stocking sufficient target IVD products to secure more distribution rights; (ii) strengthen our relationship with hospitals in urban areas, community clinics at the provincial and municipal levels and other customers in rural areas; (iii) establish a new department and hire more sales personnel to assist us to manage the expansion of our distribution coverage; and (iv) establish relationships with other well-known manufacturers or suppliers to obtain distribution rights. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details.

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

The provision of solution services to hospitals is a recent and unique business model in the PRC market. According to Frost & Sullivan, with the continuous increase in IVD testing categories, hospitals' management cost for procurring IVD products has been increasing. Facing immense cost-cutting pressure, more and more hospitals are willing to hand over the management of inventory, logistics and procurement of IVD products to distributors with solution services capabilities, in order to increase cost efficiency.

We began to provide solution services to hospitals in the PRC since 2013. By being the general supplier of their clinical laboratory department, we participate in the design of laboratory layout, provide centralised procurement of IVD products, conduct real-time inventory monitoring and provide other after-sale services to clinical laboratories. Through our years of operations, we have accumulated a wealth of operational experience and a diversified product portfolio, thus being able to promote the same to other hospitals and healthcare institutions. In order to capture the aforementioned trends and opportunities, we intend to provide solution services to one to two new hospitals each year. We plan to hire more sales personnel to assist us to manage the promotion and marketing of our solution services and to stock sufficient IVD products from various brands to strengthen our advantages in centralised procurement. In addition, we intend to continuously participate in national and local IVD symposiums and to participate in academic conferences to enhance our brand awareness.

To implement such strategy, we intend to establish relationships with six hospitals and healthcare institutions to provide solution services by the end of 2021, which will include (i) the purchase of equipment, covering the testing categories microbiology, immunoassay, clinical chemistry and POCT, such as an automated testing line for immunoassay, an automated testing line for urinalysis, a fully-automated blood culture system; a fully-automated microbiology analysis system and related spare parts; (ii) the installation of an LIS information system to record, process, store and integrate information in relation to laboratory tests and equipment; (iii) the provision of cold chain services, which will consist of the construction of cold chain storage facilities at hospital or healthcare institutes and the purchase of cold chain vehicles to be stationed at the facilities; (iv) the recruitment of staff for each hospital or healthcare institution customer, including a project manager, a resident representative, a quality control officer, a procurement officer, and a technician; and (v) the renovation of clinical laboratories and purchase of sufficient supplies. For more details, please see the section headed "Future Plans and Use of Proceeds" in this prospectus.

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

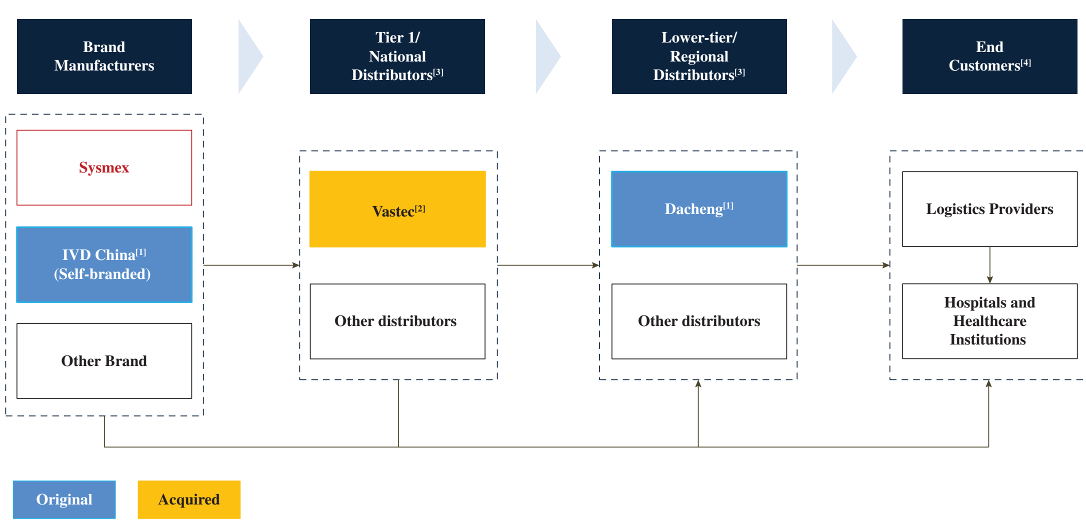
We believe that strong research and development capabilities are critical to secure our future development and sustainable growth. We intend to invest more resources to further improve our research and development capabilities by acquiring equipment, instruments and hiring experts in the relevant fields.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

To implement such strategy, we intend to research and develop CRP analysers (via our in-house research and development efforts) and immuno luminance analysers (via technology transfer agreements with manufacturers located overseas), with (i) structural designs and plans finalised and the calibration of software design finalised by 2020; (ii) prototypes produced for testing and troubleshooting by 2021; and (iii) all the safety and functionality tests passed, with all certifications obtained by 2022. We also intend to research and develop POCT analysers and reagents (via strategic partnerships with manufacturers both in the PRC and overseas that specialise in molecular analysis) intended for a high-speed diagnosis of respiratory infections and blood infections. In terms of reagents, we intend to research and develop 30 types of CRP reagents (two types of reagents for diagnosing inflammations, eight types of reagents for diagnosing kidney functions, three types of reagents for rheumatoid arthritis, ten types of reagents for autoimmune diseases, six types of reagents for cardiovascular diseases and one type of reagent for diagnosing diabetes) and 17 luminance reagents (two types of reagents for diagnosing inflammations, two types of reagents for diagnosing heart muscle failures and heart diseases, four types of reagents for diagnosing cancers, four types of reagents for diagnosing high blood pressure and five types of reagents for diagnosing liver fibrosis). We also intend to develop a cloud-based data system for our self-branded POCT products. For more details, please see the section headed "Future Plans and Use of Proceeds" in this prospectus.

OUR BUSINESS SEGMENTS

We are a distributor of IVD products in the PRC. We also engage in the research, development, manufacturing and sales of our self-branded IVD products.

During the Track Record Period, our Original Group primarily engaged in distributing IVD products in Shanghai. Vastec, being known as a leading tier 1 distributor in the PRC market, primarily engaged in distributing IVD products under the Sysmex brand in the PRC. In order to integrate our distribution value chain, we acquired the remaining 60% equity interest in Vastec in January 2019. After the Acquisition, Vastec became our wholly-owned subsidiary. The following diagram illustrates the different business focus of our Original Group and our newly acquired Vastec during the Track Record Period:



Notes:

(1) Dacheng and IVD China are the subsidiaries of our Original Group.

(2) Vastec was a 40% equity associated company of our Original Group and the remaining 60% equity interest was acquired in January 2019.

(3) There are multiple layers of lower-tier or regional distributors between tier 1 distributors and end customers. A distributor may be a tier 1 distributor for one IVD product and a lower-tier distributor for another IVD product.

(4) Sales through logistics providers to the hospitals and healthcare institutions are deemed as sales to end customers according to Frost & Sullivan industry report.

Our business can be broadly categorised into the following three segments:

- ***Distribution business – through our Original Group:*** The Distribution of IVD products primarily through Dacheng formed the cornerstone of our Original Group's business during the Track Record Period. Dacheng primarily engages in distributing IVD analysers, reagents and other consumables to customers such as hospitals and healthcare institutions, logistics providers and distributors in Shanghai. In addition, Dacheng provides solution services to clinical laboratories of hospitals in the PRC for centralised procurement. IVD (Shanghai) also contributes to our Original Group's distribution business, in a similar manner to that of Dacheng, but at a much smaller scale.

- ***Distribution business – through Vastec:*** Vastec is the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC. In addition, Vastec also provides maintenance services to its end customers for its sysmex' products.

- ***Self-branded products business – under our brand name "IVD":*** We also engage in the research, development, manufacturing and sales of IVD analysers and reagents under our own brand.

The following table sets out our Original Group's revenue by business segment for the periods indicated:

	Year ended 31 December					
Business segment	**2016**		**2017**		**2018**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Distribution business	283,096	97.5	319,382	94.4	408,440	98.7
Self-branded products business	7,345	2.5	18,886	5.6	5,195	1.3
Total revenue of our Original Group:	**290,441**	**100.0**	**338,268**	**100.0**	**413,635**	**100.0**

The following table sets out Vastec's revenue by business segment for the periods indicated:

Business segment	2016		2017		2018	
	Year ended 31 December					
	RMB'000	%	RMB'000	%	RMB'000	%
Distribution business	1,380,870	100.0	1,528,018	95.8	1,729,396	93.4
Maintenance services	–	–	67,608	4.2	123,118	6.6
Total revenue of Vastec	**1,380,870**	**100.0**	**1,595,626**	**100.0**	**1,852,514**	**100.0**

During the Track Record Period, our Original Group recorded share of profits from associates which mainly include Vastec of approximately RMB34.4 million, RMB69.9 million and RMB76.5 million, respectively. As the Acquisition was completed on 25 January 2019, which is after the end date of the Track Record Period, the financial performance of Vastec had not been consolidated into our Original Group during the Track Record Period. Please refer to the section headed "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" in Appendix IIIB to this prospectus for our pro forma financial information as if the Acquisition had been completed on 1 January 2018.

DISTRIBUTION BUSINESS – THROUGH OUR ORIGINAL GROUP

During the Track Record Period, our Original Group conducted its distribution business of IVD products primarily through Dacheng, which procures its IVD products mainly from tier 1 distributors or directly from the IVD products manufacturers and distributes the IVD products to customers such as hospitals and healthcare institutions, logistics providers and distributors in Shanghai. Our Original Group also conducted its distribution business of IVD products through IVD (Shanghai), where IVD (Shanghai) procures its IVD products from tier 1 distributors or directly from IVD products manufacturers and distributes the IVD products to distributors.

Products

Our Original Group offers a wide range of IVD products including IVD analysers, reagents and other consumables, which mainly covers four out of six major IVD testing categories, namely haematology and body fluid, immunoassay, clinical chemistry and POCT.

The following table sets out our Original Group's revenue by testing categories under distribution business segment for the periods indicated:

Product function	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Haematology and body fluid	145,442	51.4	195,446	61.2	236,009	57.8
Immunoassay	93,554	33.0	77,468	24.2	91,621	22.4
Clinical chemistry	31,123	11.0	32,805	10.3	41,301	10.1
POCT	7,985	2.8	6,965	2.2	29,474	7.2
Others[1]	4,992	1.8	6,698	2.1	10,035	2.5
Total revenue of the distribution business segment of our Original Group:	**283,096**	**100.0**	**319,382**	**100.0**	**408,440**	**100.0**

Note:

1. Others primarily include (i) small amount of IVD analysers and reagents under the microbiology testing category; and (ii) spare parts of IVD analysers and other consumables which can be used for all testing categories such as measuring cups etc.

A typical IVD test requires an IVD analyser utilising specified IVD reagents and consumables to produce a test result. As each IVD analyser model has a dedicated diagnostic purpose, certain reagents and consumables will be needed in order to perform the relevant IVD tests. This creates a continuous demand for the IVD reagents and provides recurring income stream to our Original Group after selling and installing the IVD analysers in the hospitals and healthcare institutions. During the Track Record Period, a majority of our Original Group's revenue for its distribution business was derived from the sales of reagents. The following table sets out our Original Group's revenue by product type under the distribution business segment for the periods indicated:

Product type	Year ended 31 December					
	2016		2017		2018	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
IVD reagents and other consumables	271,336	95.8	294,093	92.1	366,983	89.8
IVD analysers	11,760	4.2	25,289	7.9	41,457	10.2
Total revenue of the distribution business of our Original Group	**283,096**	**100.0**	**319,382**	**100.0**	**408,440**	**100.0**

Apart from the sales of IVD analysers, Dacheng also leases its IVD analysers to hospitals and healthcare institutions for a period of two to five years. According to Frost & Sullivan, it has been common marketing strategy for market players in the IVD market to lease IVD analysers to hospitals and healthcare institutions to attract new customers and increase sales through the subsequent sales of reagents in recent years. Dacheng commenced providing IVD analysers rental services to hospitals and healthcare institutions since 2017. During the Track Record Period, income generated from IVD analysers rental services through Dacheng were nil, RMB444,000 and RMB294,623. For more information, please see section headed "Financial Information of our Original Group – other income" in this prospectus.

The following table sets forth the sales volume and selling price range of the IVD products by product type distributed by our Original Group under the distribution business segment in the PRC for the periods indicated:

Product type	**Year ended 31 December**					
	2016		**2017**		**2018**	
	Sales volume	**Selling price range in the PRC/other regions**	**Sales volume**	**Selling price range in the PRC/other regions**	**Sales volume**	**Selling price range in the PRC/other regions**
	(unit)	**(RMB/unit)**	**(unit)**	**(RMB/unit)**	**(unit)**	**(RMB/unit)**
IVD analysers	83	6,000-996,000	120	2,800-2,690,000	152	6,000-1,790,000
	Sales volume	**Selling price range in the PRC/other regions**	**Sales volume**	**Selling price range in the PRC/other regions**	**Sales volume**	**Selling price range in the PRC/other regions**
	('000 tests[(1)])	**(RMB/test)**	**('000 tests)**	**(RMB/test)**	**('000 tests)**	**(RMB/test)**
IVD reagents and consumables	87,039	0.15-260.68	119,260	0.16-286.32	140,794	0.06-783.22

Note:

1. Each IVD test sold has specific quantities of IVD reagents and consumables, varied according to the intended diagnostic purposes.

For discussion of the changes in sales volume during the periods indicated, please see the section headed "Financial Information of our Original Group" in this prospectus.

Our Orginal Group primarily sources IVD products from international manufacturers or from their distributors, and then onsells to our Orginal Group's customers. The following table sets out our Original Group's revenue by brand name under the distribution business segment for the periods indicated:

Brand	**Year ended 31 December**					
	2016		**2017**		**2018**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Sysmex	135,756	48.0	188,262	58.9	236,229	57.8
International brand A	47,953	16.9	27,387	8.6	26,258	6.4
International brand B	15,103	5.3	11,671	3.7	18,250	4.5
Other brands	84,284	29.8	92,062	28.8	127,703	31.3
Total revenue of the distribution business segment of our Original Group	283,096	100.0	319,382	100.0	408,440	100.0

Relationship between our Original Group and Sysmex

Founded in 1968, Sysmex is a Japanese company listed on the Tokyo Stock Exchange. Sysmex' business has been focused on the IVD field which involves the provision of instruments, reagents and software. According to Frost & Sullivan, Sysmex is a market leader in the global IVD market in the fields of haemotology, haemostasis and urinalysis. Sysmex is a major supplier of our Group and its haemostasis and urinalysis products are two of our most sold product types. According to Frost & Sullivan, Sysmex is the market leader by sales revenue, with 43.9% of total market share in China haemostasis analysis IVD market in 2018. It also ranked second by sales revenue with 29.7% of total market share in China urinalysis IVD market in 2018. Dacheng has been a regional distributor of Sysmex' haemostasis products in Shanghai for the past six years. As a testament and affirmation of Dacheng's reputation and financial performance, it was further appointed as a regional distributor for Sysmex' urinalysis products in Shanghai in April 2016. As at 31 December 2016, 2017 and 2018, to the best of our knowledge, accumulatively there were approximately 251, 346 and 440 Sysmex' IVD analysers installed by our Original Group at hospitals and healthcare institutions, respectively.

During the Track Record Period, Dacheng entered into distribution agreements with Sysmex and Sysmex' tier 1 distributors on an annual basis. The salient terms of the distribution agreements are summarised as follows:

Duration	:	Typically for a term of one year.
Exclusivity	:	Dacheng is a regional distributor for Sysmex' urinalysis products in Shanghai.
Minimum purchase amounts	:	Dacheng is required to meet minimum quarterly and yearly purchase targets as specified in the agreement, in relation to both analysers and reagents. If Dacheng is unable to meet such minimum quarterly and/or yearly purchase targets, Sysmex is entitled to terminate the distributorship.
Sales and pricing	:	No restrictions on distribution prices are specified in the agreements.
Payment and credit terms	:	Payments shall be made prior to the delivery of products.
Rights and obligations	:	Dacheng is required to maintain a certain level of inventories to ensure the timely delivery of Sysmex' products.
Delivery, shipping and other costs	:	Not typically specified.
Right of termination	:	Sysmex is entitled to terminate the agreement if Dacheng is in breach of any clause in the agreement and failed to rectify the breach within 30 days upon receipt of a written notice from Sysmex.

During the Track Record Period and up to the Latest Practicable Date, Dacheng and Sysmex have not had any material disputes, suspension or termination of their business relationship. Our Directors are of the view that, considering (i) such a long and stable relationship between both parties; (ii) Sysmex being a leading manufacturer of IVD products and that, according to Frost & Sullivan, the distribution model, of which IVD manufacturers rely on its distributors, remains as the dominant business model in the PRC IVD products market; (iii) Dacheng's position in the IVD distribution business in Shanghai, with a coverage rate of 85.1% of Class III hospitals in Shanghai by 31 December 2018; (iv) Dacheng' status as the regional distributor of Sysmex' urinalysis products in the PRC; (v) the continuous revenue stream generated from the purchase of Sysmex' IVD reagents via Dacheng, as the total number of installed IVD analysers sold or installed by us continues to increase; and (vi) the mutual reliance as demonstrated by this relationship between Sysmex and Dacheng as detailed above, it is therefore unlikely that our Original Group will encounter material disputes or disruptions with Sysmex in the foreseeable future.

Relation between Sysmex and Siemens

In 1995, Siemens, an industrial manufacturing company based in Germany that focuses on equipment in various areas including healthcare, and Sysmex entered into an agreement in which they agreed to establish a strategic alliance for haemostasis products. Sysmex will supply its customers with IVD reagents manufactured by Siemens, bearing the packaging and branding of Siemens.

Haematology and body fluid tests

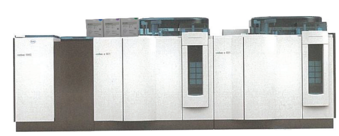
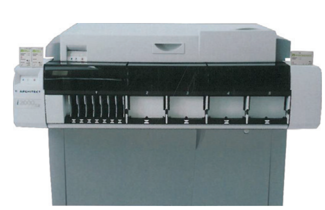
Haematology and body fluid tests refer to the biochemical analysis of body fluids. The diagnosis items mainly include urinalysis, haematology, haemostasis and erythrocyte sedimentation rate analysis. According to Frost & Sullivan, haematology and body fluid tests form the third largest segment in the PRC IVD market with a market share of approximately 14.7% by revenue in 2018. The table below sets forth the top three analysers and the compatible reagents our Original Group distributed under the haematology and body fluid tests category for the year ended 31 December 2018:

Key analyser and reagent product	Brand	Sample product picture
Automated coagulation analyser and reagents	Sysmex/Siemens	
Automated flow cytometer and reagents	Sysmex	

Key analyser and reagent product	Brand	Sample product picture
Automated haematology systems and reagents	Sysmex/Siemens	

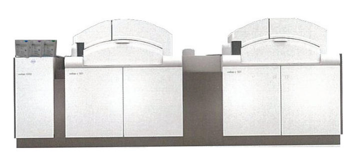
Immunoassay tests

Immunoassay tests are used to detect or quantify a specific substance in a blood or body fluid sample by using an immunological reaction. Immunoassays are used to detect antigens on Haemophilus, Cryptococcus, and Streptococcus organisms in the cerebrospinal fluid (CSF) of Meningitis patients. They are also used to detect antigens associated with organisms that are difficult to culture, such as the Hepatitis B virus and Chlamydia trichomatis. According to Frost & Sullivan, Immunoassay was the largest segment in the PRC IVD market with a market share of approximately 31.1% by revenue in 2018. The table below sets forth the top three analysers and their compatible reagents our Original Group distributed under the immunoassay category for the year ended 31 December 2018:

Key analyser and reagent product	Brand	Sample product picture
Automated immunoassay analyser and reagents	Brand A	
Automated immunoassay system and reagents	Sysmex	
Automated immunoassay analyser and reagents	Brand B	

Clinical chemistry tests

Clinical chemistry tests measure or detect specific substances in the body to determine if they are present or if their existence is maintained at a normal level. According to Frost & Sullivan, the clinical chemistry segment was the second largest segment in the PRC IVD market with a market share of approximately 19.6% by revenue in 2018. The table below sets forth the top three analysers and the compatible reagents our Original Group distributed under the clinical chemistry category for the year ended 31 December 2018:

Key analyser and reagent product	Brand	Sample product picture
Automated chemistry system and reagents	Brand D	
Automated glycohaemoglobin analyser and reagents	Brand C	
Automated chemistry analyser and reagents	Brand A	

POCT

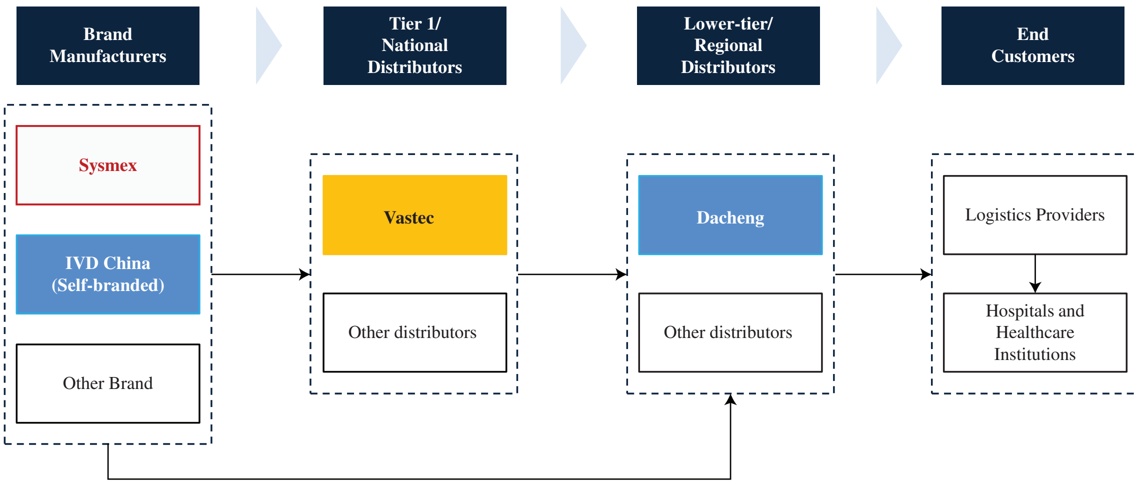
In general, POCT encompasses any tests that are performed at or near a patient and at a site where care or treatment is provided. Results are typically available relatively quickly so that they can be acted upon without delay. According to Frost & Sullivan, the POCT segment had a market share of approximately 12.4% by revenue in the PRC IVD market in 2018. During the Track Record Period, our Original Group only distributed POCT reagents in Shanghai. The table below sets forth the top three reagents our Original Group distributed under the POCT category for the year ended 31 December 2018:

Key reagent product	Brand	Sample product picture
BNP reagents	Brand E	
CRP reagents	Brand F	
CRP reagents	Brand F	

Distribution Model

During the Track Record Period, Dacheng was primarily involved in the trading of IVD analysers, reagents and other consumables to customers such as hospitals and healthcare institutions, logistics providers and distributors in Shanghai while IVD (Shanghai) was primarily involved in the trading of IVD analysers, reagents and other consumables to distributors in the PRC.

The diagram below illustrates our Original Group's business model during the Track Record Period:



Geographical coverage

During the Track Record Period, our Original Group primarily distributed Sysmex' haemostasis and urinalysis products in Shanghai. In addition, our Original Group distributed IVD products of other brands across 20 provinces and regions within the PRC including Shanghai, Jiangxi, Jiangsu, Zhejiang, Fujian and Hunan. The revenue generated from Shanghai were approximately RMB267.2 million, RMB307.8 million and RMB382.5 million, representing approximately 94.4%, 96.4% and 93.6% of our Original Group's total revenue under the distribution business segment during the Track Record Period.

Customer type

Dacheng's customers mainly include hospitals and healthcare institutions, logistics providers and distributors while the IVD (Shanghai)'s customers were all distributors. The table below sets out our Original Group's revenue by customer type under the distribution business segment for the periods indicated:

	Year ended 31 December					
Customer type	**2016**		**2017**		**2018**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Hospitals and healthcare institutions.	141,863	50.1	159,827	50.0	202,714	49.6
Logistics providers	87,759	31.0	71,011	22.2	84,012	20.6
Distributors[(Note)].	53,474	18.9	88,544	27.8	121,714	29.8
Total revenue of the distribution business segment of our Original Group:	**283,096**	**100.0**	**319,382**	**100.0**	**408,440**	**100.0**

Note: In the hypothetical situation in which the Acquisition was completed before the commencement of the Track Record Period, the revenue generated from the distributors of our Original Group and Vastec (after the elimination of intercompany results) for the years ended 31 December 2016, 2017 and 2018 would amount to approximately RMB1,297.0 million, RMB1,488.9 million and RMB1,692.0 million, respectively, representing 83.1%, 85.0% and 83.8%, of the revenue generated from the distribution business segment of our Original Group and Vastec (after elimination of intercompany results), respectively.

Hospitals and healthcare institutions

Dacheng mainly distributes its products directly to hospitals and healthcare institutions and it places a strong emphasis on establishing and maintaining a strong and stable relationship with them. During the Track Record Period, Dacheng maintained a stable list of hospital and healthcare institution customers which were mainly based in Shanghai. As at 31 December 2016, 2017 and 2018, Dacheng directly covered 79, 75 and 88 hospitals and healthcare institutions.

Dacheng provides value added services to its hospital and healthcare institution customers to further strengthen its relationship with them. Sales staff of Dacheng will organise promotional events to introduce and promote the merits of the IVD products distributed to its customers and potential customers. After the sales of products, Dacheng's marketing staff will also share ideas with its laboratory staff and obtain feedback on the product quality. Meanwhile, Dacheng's technical staff and clinical application specialists will also go to the hospitals to provide demonstrations of its new IVD products, provide seminar to the hospitals' laboratory staff on the improvement of the application of the respective products and provide maintenance services from time to time.

The provision of solution services to hospitals is a recent and unique business model in the PRC IVD market. According to Frost & Sullivan, under this procurement model, clinical laboratory department of the hospitals make all purchases through one distributor rather than making purchases from various suppliers/distributors. We believe hospitals would have a more efficient inventory control and lower staffing and overhead expenses. On the other hand, distributors may obtain a more stable sales revenue and possess a stronger bargaining power against manufacturers and higher tier distributors on the selling price of IVD products. According to Frost & Sullivan, when confronted with the intense cost-cutting pressure, hospitals are willing to outsource the inventory management, logistics and procurement of IVD products to professional service providers to save cost and to increase efficiency. Dacheng has been providing solution services to hospitals since 2013. As the general supplier of the clinical laboratory department, Dacheng may also offer other services such as participating in the overall design of laboratory layout, providing centralised procurement services of IVD products, conducting real time inventory monitoring, assisting in the installation of cold storage, and providing cold chain delivery services and other after-sale services to clinical laboratories.

During the Track Record Period, our revenue derived from the provision of solution services amounted to approximately, RMB79.9 million, RMB92.4 million and RMB108.7 million, respectively.

As at the Latest Practicable Date, Dacheng has entered into cooperation agreements with three hospitals.

The following table sets forth further details regarding Dacheng's solution service customers as follows:

Customer	Description of the hospital	Years of business relationship as at the Latest Practicable Date
Customer A	A Class IIIA hospital, which is affiliated with a university in Shanghai. It is one of the four pioneer traditional Chinese medicine clinical centres in the PRC.	Approximately six years.
Customer C	A private hospital in Shanxi.	Approximately three years.
Customer D	A Class IIIA orthopaedic hospital in Shandong.	Approximately six months.

Quotation and tendering process

Dacheng secures sales orders with hospitals and healthcare institutions for the purchase of IVD products or for providing solution services through a competitive tendering process. The tendering process is usually arranged by the hospitals and healthcare institutions themselves and it usually takes one month to complete. Once being awarded the bid at the end of the tendering process, Dacheng assigns sales representatives to maintain daily contact with the hospitals' procurement officers and laboratory technicians to understand their needs on a regular basis and to manage the marketing and sales of the IVD products. Leveraging the long-term business relationship with hospitals and healthcare institutions and Dacheng's well-established market reputation, Dacheng receives requests or invitations for quotations and tenders from hospitals and healthcare institutions for the supply of IVD products from time to time.

Upon receiving a request for quotation from a potential customer or identifying a tendering opportunity, Dacheng's sales and marketing team will process their enquiries or tender assessment in the following manner:

- Dacheng generally reviews and evaluates the commercial viability of a quotation request or tender based on factors including the type of products required by the potential customer, technical specifications of the products, quantity of the products required, delivery lead time, payment term, other specific requirements of the potential customer, its relationship with the potential customer and prevailing market conditions.

- Dacheng is required to submit sufficient product information such as catalogues, technical specifications and brochures to potential customers. Dacheng may also provide product samples and product demonstration on the use of IVD products upon the request of potential customers.

- Dacheng is required to provide details of the licences of the manufacturer, testing certificate or report for the possession or use of the product offered to ensure product safety, manufacturer's quality assurance or control report, sterilisation certificate or report, if required.

After Dacheng has been awarded a tender, it will generally enter into a framework supply agreements with its hospitals and will distribute the IVD products upon receiving purchase orders placed by the hospitals, which specify the brand, type and quantity of IVD products. For healthcare institutions, Dacheng will enter into a supply agreement with them directly, specifying the major terms and conditions, the brand, type and quantity of IVD products to be supplied. During the Track Record Period, Dacheng submitted 60 tender applications to hospitals or other healthcare institutions, out of which Dacheng was awarded 46 contracts and achieved an average success rate of approximately 76.7%.

The table below sets forth a summary of the key principal terms of the supply agreements Dacheng entered into with hospitals and healthcare institutions:

Duration	:	Typically a term of two years.
Renewal	:	The supply agreements are not automatically renewed upon expiration of the term.
Services to be rendered	:	Dacheng provides onsite installation and commissioning of equipment, provides packaging and arranges transportation to hospitals and healthcare institutions.
Credit and payment terms	:	Around 60 days.
Right of termination	:	If Dacheng fails to deliver and provide services according to the timeline as specified in the supply agreement, the customers may be compensated for delay, calculated at 0.5% of the contract sum per day until delivery date and the maximum amount of compensation shall not exceed 5% of the contract sum. The customers shall have the right to terminate the agreement once the compensation has reached the maximum amount of compensation.

The table below sets forth a summary of key principal terms of the cooperation agreements Dacheng entered into with hospitals for provision of solution services:

Duration	:	Typically a term of around five years.
Renewal	:	The cooperation agreements are not automatically renewed upon expiration of the term.
Services to be rendered	:	Dacheng assists hospitals to establish clinical laboratory logistic centres, provides centralised procurement of IVD products, and provides after-sales service and technical support etc.
Credit and payment terms	:	Around 30 days.
Right of termination	:	If the cooperation agreement is not in compliance with the national laws, regulations or policies or the quality of products, price or after-sale services provided by Dacheng cannot meet the requirements stipulated in the agreement, customer may unilaterally terminate the cooperation agreement.

In determining the pricing strategies for solution services, our Original Group takes into account a number of factors including historical sales data and expected profit margin, cost of goods, demand and supply of the IVD products and the cost control on the part of the hospital.

To the best knowledge of our Directors, there was no incident of material breach of such cooperation agreement during the Track Record Period.

Distributors

Our Original Group sells its products through its distributors that, to the best of our Directors' knowledge, then distribute the products to hospital and healthcare institutions. According to Frost & Sullivan, the distribution model is the dominant business model for PRC medical device industry. The advantages of adopting distribution model are: (i) IVD products can be quickly penetrated into end customer market through distributors' established distribution network; and (ii) distributors usually have more flexible product portfolios and stronger channel management capabilities. Our Original Group has a seller-buyer relationship with its distributors and revenue is recognised when the ownership of the products has been transferred to its distributors. To the best knowledge of our Directors, during the Track Record Period, all of our Original Group's distributors under the distribution business segment were independent third parties, and none of them is a past employee of our Group nor sales partner trading under the name of our Original Group. Our Original Group's major distributors have an established relationship with us for over six years.

The distributors engaged by our Original Group under the distribution business are classified into two categories: (i) those that have entered into a sales agreement, generally in relation to the sales of analysers; and (ii) those distributors that have not entered into a sales agreement, but have established a business relationship with our Original Group by placing purchase orders, generally in relation to the sales of reagents. Such two types of arrangements, according to Frost & Sullivan, are two forms of common practice in the IVD products distribution industry.

During the Track Record Period, our Original Group had 200, 188 and 202 distributors among which, 179, 160 and 168 have not entered into sales agreement with our Original Group. The below table shows the movement of our Original Group's distributors under the distribution business segment during the Track Record Period:

	Year ended 31 December		
	2016	**2017**	**2018**
Number of distributors at the beginning of the year	221	200	188
Additions of new distributors	93	85	97
Reductions of existing distributors	114	97	83
Number of distributors at the end of the year	200	188	202

For the years ended 31 December 2016, 2017 and 2018, our Original Group engaged 93, 85 and 97 new distributors under the distribution business segment, respectively, as a means to expand our distribution business or conversion of competitors' distributors into our distributors. Such new distributors also included those that maintained their relationships with our Original Group after a change in company name or they have ceased business operations and later reincorporated as a new entity. For the same periods, our Original Group also terminated 114, 97 and 83 existing distributors mainly in order to optimise the pool of distributors to attract more competitive distributors with better hospital coverage and to let go those who underperformed. Such terminated distributors also included those that have ceased business operations and those that only made ad-hoc or infrequent purchases without entering into a distribution agreement with our Original Group. As our Original Group has a seller-buyer relationship with its distributors, and the title of the products is passed to the distributors once delivered, our Original Group did not repurchase or accept returns of the products that were unsold by our terminated distributors.

The following table sets out the breakdown as to the number of distributors with which our Original Group did not renew their agreements or otherwise discontinued their relationships, or those distributors which have ceased operations under the distribution business segment for each of year during the Track Record Period and their respective revenue contribution for the periods indicated:

		Year ended 31 December					
		2016		2017		2018	
	Number of distributors with which our Original Group had discontinued its business relationship under the distribution business segment	Revenue	% of the Original Group's total Revenue	Revenue	% of the Original Group's total Revenue	Revenue	% of the Original Group's total Revenue
		(RMB '000)	*(%)*	*(RMB '000)*	*(%)*	*(RMB '000)*	*(%)*
During the year ended 31 December 2016	114	15,352	5.3	–	–	–	–
During the year ended 31 December 2017	97	14,264	4.9	27,022	8.0	–	–
During the year ended 31 December 2018	83	17,190	5.9	21,488	6.4	21,020	5.1

For the years ended 31 December 2016, 2017 and 2018, revenue generated from our Original Group's five largest distributors under the distribution business segment amounted to approximately RMB22.1 million, RMB44.3 million and RMB61.6 million, respectively.

Our Directors confirm that during the Track Record Period, there was no material dispute or disagreement between our Original Group and the terminated distributors.

Management of distributors

Our Original Group adopts stringent guidelines to select, assess and monitor its distributors. In relation to the distribution of analysers and reagents that is conducted by distributors with which our Original Group had entered into sales agreements, our Original Group typically conducts background search, attends onsite visit and conducts onsite evaluation for potential distributors. Our Original Group also considers a wide range of factors, including their relevant experience and reputation, credibility, capability in operation and management, location, customer base and hospital sales volume, when determining whether such distributors are qualified as its distributors. It encourages distributors to report on sales progress and projected product demand on a regular basis. It also regularly monitors the performance of its distributors based on a number of factors including maintenance of their creditworthiness, expansion of distribution channels, improvement in overall sales performance. Specific geographical areas are designated to distributors in order to avoid cannibalisation and to enhance effective control of such distributors. Moreover, our Original Group has an established formal evaluation system for its distributors based on a set of criteria including sales performance, scale and experience. In order to become one of our Original Group's distributor of analysers, each potential party would first be given an authorisation letter issued by our Original Group in order to allow the potential distributor to begin engaging in sales discussions and pitches with potential clients. After the lapsed time stated in the authorisation letter, should there be a sales to be agreed with an end customer, the potential distributor will then be formally engaged via a sales agreement. Should a potential distributor be unable to procure sales with any customers before time lapses as stated in the authorisation letter, the potential distributor will not be formally engaged. Our Original Group requires all of its distributors to comply with the sales agreements that they have entered into with our Original Group.

The table below sets forth a summary of the key principal terms of the sales agreements our Original Group entered into with is distributors:

Duration	:	Sales agreements made between Dacheng and its distributors generally do not specify a duration, but the authorisation letters issued by Dacheng to its distributors typically have a term of three months.
Renewal	:	Both the sales agreement and the authorisation letter are not automatically renewed upon expiration.
Exclusivity	:	Whilst geographical restrictions are not typically included in the sales agreements, designated customers and products are specified in the sales agreement and authorisation letters.
Sales and pricing	:	Quantities and prices of various analysers and reagents are included in the sales agreement.
Rights and obligations	:	Should the end customers also purchase reagents in conjunction with its purchase of an analyser, the installation and set-up services shall be provided at Dacheng's costs. The end customer is also entitled to one year warranty for repairs.
Minimum purchase amounts	:	Not specifically stated in the sales agreements.
Payment and credit terms	:	Payment shall be made in full prior to the delivery of products, with a credit period of up to 90 days.

Sales and inventory reports and estimates	:	Not specifically required in the Sales agreements.
Sales and expansion targets	:	Not specifically required in the Sales agreements.
Termination or breach of agreement terms	:	In general parties shall follow the relevant contract laws and regulations of the PRC.
Goods return policy	:	In general, reagents that are not complying with the relevant national standards issued by the PRC authorities, shall be returned, at Dacheng's costs.
Obsolete stock arrangements	:	Not specifically stated in the sales agreements.

In relation to the sales of reagents that is conducted by distributors with which our Group had not entered into any agreements, such distributors will adhere to the terms and conditions as stated in their respective purchase orders placed. In general, such terms include the specific products to be sold, pricing, quantity of the products to be sold and delivery arrangements.

Our Directors confirm that, since 28 March 2019, our Original Group has implemented a more stringent and effective distributor management policy that incorporates into purchase orders terms that are similar to those in the sales agreements entered into with its distributors.

Our Directors confirm that during the Track Record Period, there were no material disputes or disagreements between our Original Group and its distributors and our Original Group was not a party to any legal or arbitration proceedings with any of its distributors. During the Track Record Period, none of our Original Group's distributors terminated their distributorship with our Original Group due to disputes and our Original Group was not aware of any instances where its distributors had sold the products in breach of their distribution rights. Going forward, our Original Group will continue to use distributors to assist in opening new markets and to maintain a presence where our Original Group has not established a substantive foothold.

Logistics providers

Apart from directly distributing IVD products to hospitals and healthcare institutions, Dacheng also indirectly distributes IVD products to hospitals and healthcare institutions through logistics providers. According to Frost & Sullivan, the core role of the logistics providers in the IVD industry is purely to ensure the efficient delivery of purchased IVD products to hospitals and they are deemed as the end customers whose status are the same as hospitals. They provide services of warehousing, storage, delivery, invoicing and collection of payment and usually communicate directly with the purchasing department of hospitals. The PRC Legal Adviser is of the view that sales between the logistics providers and hospitals will not be counted as one invoice. Dacheng has a seller-buyer relationship with its logistics providers. Revenue is recognised when the ownership of the products has been transferred to its logistics providers. As at 31 December 2016, 2017 and 2018, Dacheng had six, six and six logistics providers covering 34, 44 and 47 hospitals and healthcare institutions, respectively.

Dacheng generally secures the sales orders with logistics providers by entering into supplier agreements with them.

The table below sets forth a summary of key principal terms of the supply agreements Dacheng entered into with its logistics providers:

Duration	:	Typically for a term of one year.
Renewal	:	The supply agreements are not automatically renewed upon expiration of the term.
Exclusivity	:	The logistics providers are authorised to distribute specified products only to the designated hospitals as specified in their respective supply agreements, and they are not permitted to distribute the products to other hospitals.
Service to be rendered	:	The logistics providers purchase IVD products from Dacheng to designated hospitals.
Payment and credit terms	:	Range from 30 days to 180 days.
Right of termination	:	Dacheng may terminate the supply agreement due to change of national policy or occurrence of a force majeure event.

DISTRIBUTION BUSINESS – THROUGH VASTEC

Acquisition of Vastec

In order to integrate our distribution value chain and since Vastec and our Original Group have largely been managed under the same core management team through Mr. Leung and Mr. Ho, our Original Group acquired the remaining 60% equity interest in Vastec in January 2019. After the Acquisition, Vastec became our wholly-owned subsidiary. Please see the section headed "History, Reorganisation and Corporate Structure – Phase 2: Pre-IPO Investment in 2019 with Huatuo" for more details. The Acquisition enables us to (i) further expand our distribution network; (ii) integrate our IVD products distribution value chain; (iii) consolidate our competitiveness and transform to become a leading first-tier distributor of IVD products in the PRC; and (iv) to further diversify our product portfolio and create new sales opportunities by diversifying our product categories and expanding our brand coverage.

Vastec is known as a leading tier 1 distributor of IVD products in the PRC. It is the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC, since 1997. Vastec also procures a diversified portfolio of IVD products from other leading international brands and distributes them in the PRC. During the Track Record Period and up to the Latest Practicable Date, Vastec mainly procured IVD products from three international brands including Sysmex, Tecan and Alifax, and most of them were procured directly from manufacturers. Vastec then distributes its products through its distributors, which in turn, may either sub-distribute the products to its subdistributors or directly to hospitals and healthcare institutions. In addition, Vastec also distributes a small quantity of IVD products directly to hospitals and healthcare institutions. To the best knowledge of our Directors and as a result of the best possible efforts conducted, during the Track Record Period at least 44.4%, 46.0% and 43.7% of the revenue contribution from Vastec's distributors were sold directly to the hospitals and healthcare institutions, respectively.

Apart from distributing IVD products in the PRC, Vastec derived its revenue from providing maintenance services to end customers of Sysmex' haemostasis analysers in the PRC during the Track Record Period. In 2017, Vastec has entered into a maintenance services agreement with Sysmex to provide maintenance services to its end customers' haemostasis analysers.

The following table sets out Vastec's revenue by business segment for the periods indicated:

	Year ended 31 December					
Business segment	**2016**		**2017**		**2018**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Distribution business	1,380,870	100	1,528,018	95.8	1,729,396	93.4
Maintenance services	–	–	67,608	4.2	123,118	6.6
Total revenue of Vastec	**1,380,870**	**100.0**	**1,595,626**	**100.0**	**1,852,514**	**100.0**

Distribution business

Products

Vastec offers a wide range of IVD products, including IVD analysers, reagents and other consumables, which primarily covers two IVD testing categories, namely haematology and body fluid and immunoassay.

The following table sets out Vastec's revenue by testing categories under its distribution business segment for the periods indicated:

Product function	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Haematology and body fluid	1,304,236	94.5	1,464,308	95.8	1,661,248	96.0
Immunoassay	58,216	4.2	47,508	3.1	52,300	3.0
Others[1]	18,418	1.3	16,202	1.1	15,848	1.0
Total revenue of the distribution business segment of Vastec	**1,380,870**	**100.0**	**1,528,018**	**100.0**	**1,729,396**	**100.0**

Note:

1. Others mainly include small amount of analysers and reagents under microbiology and clinical chemistry testing categories, respectively. It also include spare parts of IVD analysers and other consumables which can be used for all testing categories such as cuvettes, pipettes, etc.

Vastec's products coverage can be broadly categorised into two major types, namely (i) IVD analysers; and (ii) reagents and other consumables. As an integral part of our distribution business, Vastec also provides after-sale services to some of its customers. After-sales services include but are not limited to installation, technical support and training services to end customers primarily being hospitals for the products distributed by Vastec or its distributors.

In general, each specific IVD analyser has its intended diagnostic purpose using requisite reagents. Certain IVD reagents for diagnostic platforms would need to be readily available for the working life of the IVD analysers. This creates a continuous demand for the reagents as IVD analysers generally have a lifespan of at least three to five years. Hence, any increase in the number of installed analysers sold by Vastec may possible lead to increased sales of IVD reagents and consumables via Vastec.

The following table sets out Vastec's revenue by product type under its distribution business for the periods indicated:

Product type	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
IVD analysers	384,334	27.8	344,985	22.6	360,369	20.8
IVD reagents and other consumables[1]	996,536	72.2	1,183,033	77.4	1,369,027	79.2
Total revenue of the distribution business of Vastec:	**1,380,870**	**100.0**	**1,528,018**	**100.0**	**1,729,396**	**100.0**

Note:

1. Others consumables primarily include cuvettes, pipettes, test cards, cleaning solutions, spare parts, etc., majority of which are often used together with the IVD reagents, such as cuvettes and pipettes.

The following table sets out the sales volume and selling price range of Vastec's IVD products by product type for the periods indicated:

Product type	Year ended 31 December					
	2016		2017		2018	
	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions
	(unit)	(RMB/unit)	(unit)	(RMB/unit)	(unit)	(RMB/unit)
IVD analysers	1,435	4,200-1,490,000	1,221	4,200-2,800,000	1,210	4,400-5,000,000
	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions
	('000 tests[1])	(RMB/test)	('000 tests[1])	(RMB/test)	('000 tests[1])	(RMB/test)
IVD reagents and consumables	479,875	0.07-73.26	552,742	0.07-91.78	622,912	0.07-107.38

Note:

1. Each IVD test sold has specific quantities of IVD reagents and consumables, varied according to the intended diagnostic purposes.

Relationship between Vastec and Sysmex

During the Track Record Period and up to the Latest Practicable Date, Vastec was primarily engaged in the distribution of Sysmex' haemostasis products in the PRC. It has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997. According to the Frost & Sullivan, Sysmex haemostasis products had a market share of approximately 43.9% by revenue in 2018 in the PRC, representing the largest market share in the PRC haemostasis products market. As at 31 December 2016, 2017 and 2018, to the best of our knowledge, accumulatively there were approximately 4,650, 5,462 and 6,359 of Sysmex' haemostasis analysers installed at the hospitals and healthcare institutions, respectively. During the Track Record Period, Vastec's sales of Sysmex' haemostasis products amounted to approximately RMB1,281.9 million, RMB1,442.9 million and RMB1,632.6 million, respectively, representing approximately 92.8%, 90.4% and 88.1% of Vastec's total revenue for the same periods, respectively. During the Track Record Period, Vastec's purchases of Sysmex' haemostesis products amounted to approximately RMB1,023.6 million, RMB985.5 million and RMB1,321.0 million, respectively, representing approximately 82.0%, 76.4% and 87.3% of Vastec's total purchase for the same periods, respectively. For the year ended 31 December 2018, the enlarged group's purchase of IVD products from Sysmex (after elimination of intercompany results) amounted to approximately 85.1% of the enlarged group's total purchase (after elimination of intercompany results) on a pro forma basis. According to Frost & Sullivan, Sysmex' sales generated from its haemostasis products in the PRC amounted to approximately RMB1,481.9 million, RMB1,305.1 million and RMB1,597.8 million for the years ended 31 December 2016, 2017 and 2018, respectively.

During the Track Record Period and up to the Latest Practicable Date, Vastec and Sysmex have not had any material disputes. Our Directors are of the view that, considering (i) such a long and stable relationship between both parties as demonstrated by the lack of disputes; (ii) Sysmex being a leading manufacturer of IVD products and that, according to Frost & Sullivan, the distribution model, of which IVD manufacturers rely on its distributors, remains the dominant business model in the PRC IVD products market; (iii) Vastec's leading position in the IVD distribution business in the PRC, ranking third of all tier 1 distributors, with a coverage rate of 42.4% of Class III hospitals in the PRC by 31 December 2018; (iv) Vastec's status as the sole national distributor of Sysmex' haemostasis products in the PRC; (v) the continuous revenue stream generated from the purchase of Sysmex' haemostasis reagents via Vastec, as the total number of installed IVD analysers sold or installed by us continues to increase; (vi) the maintenance services that Vastec provides to the end-customers of Sysmex' haemostasis analysers, which were not provided by Sysmex; and (vii) the mutual reliance as demonstrated by this relationship between Sysmex and Vastec as detailed above, it is therefore unlikely that Vastec will encounter material disputes or disruptions with Sysmex in the foreseeable future.

During the Track Record Period, Vastec entered into distribution agreements with Sysmex on an annual basis. The salient terms of the distribution agreements are summarised as follows:

Exclusivity	:	Vastec is the national distributor of haemostasis products by Sysmex with exclusive distribution rights.
Minimum purchase amounts	:	Vastec is required to meet minimum quarterly and yearly purchase targets as specified in the agreement, in relation to both analysers and reagents. If Vastec is unable to meet such minimum quarterly and/or yearly purchase target, Sysmex is entitled to terminate the distributorship.
Sales and pricing	:	No restrictions on distribution prices are specified in the agreement.
Payment and credit terms	:	Payments shall be made prior to delivery of the products.
Rights and obligations	:	Vastec is required to maintain a certain level of inventories to ensure the timely delivery of Sysmex' products. Vastec is also required to staff sales personnel and employees for providing after-sales services in each of the province to where it distributes Sysmex' products.
Delivery, shipping and other costs	:	Vastec is responsible for the costs of shipping.
Right of termination	:	Sysmex is entitled to terminate the agreement if Vastec is in breach of any clause in the agreement and failed to rectify such breach within 30 days upon receipt of written notice from Sysmex.

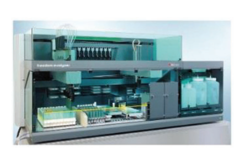
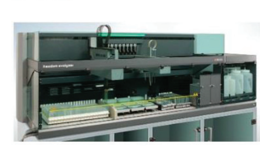
Haematology and body fluid tests

Vastec's top products under the haematology and body fluid tests category were Sysmex' automated coagulation analyser and the reagents and other consumables designed specifically for the analyser.

Key analyser and reagent product	Brand	Sample product picture
Innovance D-Dimer	Sysmex	
Automated coagulation analyser	Siemens/Sysmex	
Cleaning fluid for the automated coagulation analyser and reagents	Sysmex	

Immunoassay

During the Track Record Period, Vastec primarily distributed immunoassay analysers in the PRC. Vastec's top products under the immunoassay category were Tecan's immunoassay analysers. The table below sets forth the top three analysers and the reagents designed specifically for the analysers that Vastec distributed under the immunoassay category for the year ended 31 December 2018:

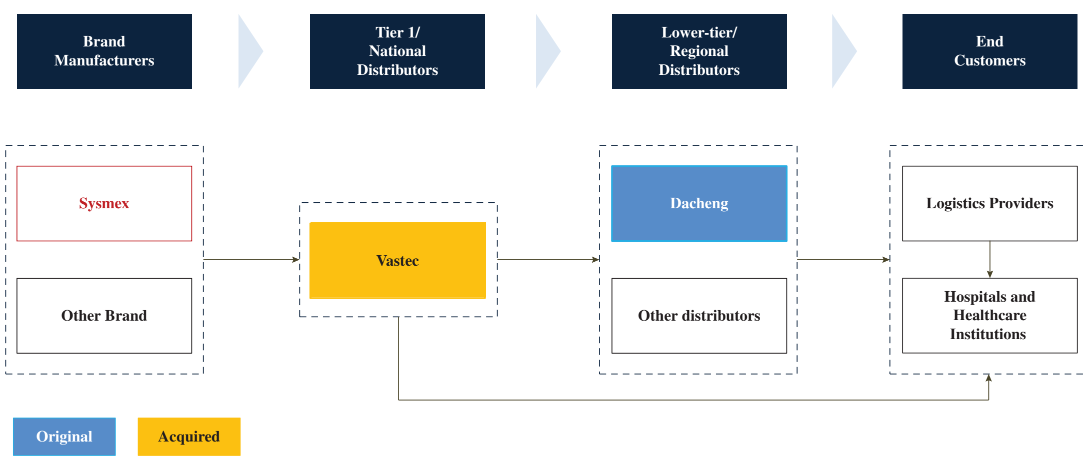
Key analyser and reagent product	Brand	Sample product picture
CM Freedom Evolyzer-2 150-8	Tecan	
1000 UL LIHa Disposable Tips	Tecan	
CM Freedom Evolyzer-2 200-8	Tecan	

Distribution model

A well-established and nationwide distribution network is one of Vastec's most important strengths and valuable assets. Vastec primarily procures IVD products directly from IVD manufacturers and then distributes its IVD products in the PRC through its lower-tier distributors which will then onsell to their subdistributors or directly to hospitals and other healthcare institutions. As at 31 December 2018, Vastec has 764 distributors primarily spanning across 28 provinces and regions in the PRC. During the Track Record Period, a small quantity of IVD products were also directly sold to hospitals and healthcare institutions.

Vastec also has an extensive hospital coverage in the PRC through its distribution network. With over 20 years of experience, Vastec has established an extensive hospital coverage of 1,041 Class III hospitals, representing approximately 44.5% of the total coverage for Class III hospitals in the PRC in 2017. Vastec further extended its hospital coverage to cover 1,080 Class III hospitals, representing approximately 42.4% of the total coverage for Class III hospitals in the PRC by 31 December 2018.

The diagram below illustrates Vastec's business model during the Track Record Period:



Geographical coverage

Vastec has set up 23 offices in 23 provinces, municipalities and autonomous regions in the PRC and has set up one office in Hong Kong since its establishment. The local offices provide marketing and after-sales services as well as other value added services such as installation services, maintenance services and initial training to the customers in the respective regions.

The following table sets out Vastec's revenue contribution by geographic regions for the periods indicated:

Geographical region	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Eastern China[1]	629,376	45.6	672,557	44.0	808,148	46.7
Southwestern China[2]	148,963	10.8	165,031	10.8	195,292	11.3
Northern China[3]	167,610	12.1	189,956	12.4	218,108	12.6
Central China[4]	108,419	7.9	139,743	9.1	155,773	9.0
Southern China[5]	149,630	10.8	162,032	10.6	135,770	7.9
Northwestern China[6]	86,227	6.2	99,118	6.5	124,457	7.2
Northeastern China[7]	74,423	5.4	83,493	5.5	80,388	4.6
Others[8]	16,222	1.2	16,088	1.1	11,460	0.7
Total revenue of the distribution business of Vastec:	**1,380,870**	**100.0**	**1,528,018**	**100.0**	**1,729,396**	**100.0**

Notes:

1. Eastern China includes Shanghai, Jiangsu province, Zhejiang province, Fujian province, Jiangxi province, Anhui province, and Shandong province

2. Southwestern China includes Sichuan province, Yunnan province, Chongqing and Guizhou province

3. Northern China includes Beijing, Inner Mongolia autonomous region, Tianjin and Hebei province

4. Central China includes Hunan province, Henan province and Hubei province

5. Southern China includes Guangdong province and Guangxi province

6. Northwestern China includes Xinjiang autonomous region, Gansu province, Qinghai province, Ningxia autonomous region and Shaanxi province

7. Northeastern China includes Heilongjiang province, Liaoning province, Jilin province

8. During the Track Record Period, a small quantity of IVD products, such as analysers under the haematology and body fluid testing category, were sold to overseas customers, including Taiwan, Singapore, Hong Kong, Macau and Austria, through Vastec (HK).

Customer type

Vastec primarily distributes its IVD products in the PRC through lower-tier distributors. A small quantity of IVD products are also directly sold to hospitals. The table below sets forth the revenue of Vastec by customer type for the periods indicated:

	Year ended 31 December					
Customer type	**2016**		**2017**		**2018**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Distributors[(1)(2)]	1,347,589	97.6	1,496,517	97.9	1,688,587	97.6
Hospitals and healthcare institutions[(3)]	33,281	2.4	31,501	2.1	40,809	2.4
Total revenue of the distribution business segment of Vastec:	**1,380,870**	**100.0**	**1,528,018**	**100.0**	**1,729,396**	**100.0**

Note:

1. Vastec's revenue generated through distributors included revenue generated from the sales of IVD products to Dacheng. Vastec's revenue generated through Dacheng was approximately RMB103.6 million, RMB94.0 million and RMB116.6 million, representing approximately 7.5%, 5.9% and 6.3% of the total revenue of Vastec for the years ended 31 December 2016, 2017 and 2018, respectively.

2. In the hypothetical situation in which the Acquisition was completed before the commencement of the Track Record Period, the revenue generated from the distributors of our Original Group and Vastec (after the elimination of intercompany results) for the years ended 31 December 2016, 2017 and 2018 would amount to approximately RMB1,297.0 million, RMB1,488.9 million and RMB1,692.0 million, respectively, representing 83.1%, 85.0% and 83.8%, of the revenue generated from the distribution business segment of our Original Group and Vastec (after elimination of intercompany results), respectively.

3. Vastec's revenue generated through hospitals also include universities, clinical laboratories and healthcare institutes.

Distributors

Vastec primarily engages as a tier 1 distributor to distribute IVD products through its lower-tier distributors who onsell to their subdistributors or directly to hospitals and healthcare institutions in the PRC. Vastec has a seller-buyer relationship with its distributors and revenue is recognised when the ownership of the products has been transferred to its distributors. The distributors of Vastec are classified into two categories: (i) those that have entered into a distribution agreement, generally in relation to the sales of analysers; and (ii) those distributors that have not entered into a distribution agreement, but have established a business relationship with Vastec by placing purchase orders, generally in relation to the sales of reagents. Such two types of arrangements, according to Frost & Sullivan, are two forms of common practice in the IVD products distribution industry.

During the Track Record Period, Vastec had engaged 734, 752 and 764 distributors in total, 604, 637 and 633 of which had not entered into a distribution agreement with Vastec, respectively.

To the best knowledge of our Directors, during the Track Record Period, apart from Dacheng and Yao Lin (姚林)[(1)], all of Vastec's distributors were independent third parties, and none of them is a past employee of our Group nor sales partner trading under the name of Vastec. Please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions" for details.

The below table shows the movement of Vastec's distributors during the Track Record Period:

	Year ended 31 December		
	2016	**2017**	**2018**
Number of distributors at the beginning of the year	709	734	752
Additions of new distributors during the year	323	341	302
Reductions of existing distributors during the year	298	323	290
Number of distributors at the end of the year	734	752	764

Note:

(1) This includes three companies: Jinqiao Medical, Beijing Medical and Beijing Sanpin, which are all under the common control of Yao Lin.

During the years ended 31 December 2016, 2017 and 2018, Vastec engaged 323, 341 and 302 new distributors, respectively, primarily due to their plans in further market development and promotion of new products. Such new distributors also included those that maintained their relationships with Vastec after a change in company name or they have ceased business operations and later reincorporated as a new entity. During the same years, Vastec terminated 298, 323, 290 existing distributors, respectively, primarily to optimise the performance of the distributors. Such terminated distributors also included those that have ceased business operations and those that only made ad-hoc or infrequent purchases without entering into a distribution agreement with Vastec. As Vastec has a seller-buyer relationship with its distributors and the title of the product is passed to the distributors once delivered, Vastec did not repurchase or accept returns of the products that were unsold by our terminated distributors.

The following table sets out the breakdown as to the number of distributors with which Vastec did not renew its agreements or otherwise discontinued its relationships, or those distributors which have ceased operations for each of year during the Track Record Period and their respective revenue contribution for the periods indicated:

		Year ended 31 December					
		2016		2017		2018	
	Number of distributors with which Vastec had discontinued its business relationship	Revenue	% of Vastec's total Revenue	Revenue	% of Vastec's total Revenue	Revenue	% of Vastec's total Revenue
		(RMB '000)	*(%)*	*(RMB '000)*	*(%)*	*(RMB '000)*	*(%)*
During the year ended 31 December 2016	298	145,063	10.5	–	–	–	–
During the year ended 31 December 2017	323	260,782	18.9	194,690	12.2	–	–
During the year ended 31 December 2018	290	170,055	12.3	196,522	12.3	51,977	2.8

Our Directors confirm that during the Track Record Period, there was no material dispute or disagreement between Vastec and the terminated distributors.

Management of distributors

Vastec enters into distribution agreements with distributors for the distribution of IVD analysers and will conduct actual sales activities upon receiving purchase orders placed by the distributors which specify the brand, type and quantity of IVD analysers. For the sales of IVD reagents, Vastec generally distributes IVD reagents to distributors upon receipt of purchase orders placed (without entering an agreement with Vastec) by the distributors which specify the brand, type and quantity of the IVD reagents without entering into any distribution agreement.

Vastec adopts a set of guidelines to select, assess and monitor its distributors. In relation to the sales of analysers, it typically conducts background search before entering into the distribution agreement with potential distributors in the PRC. Vastec also considers a wide range of factors, including their relevant experience and reputation, credibility, capability in operation and management, location, customer base and hospital sales volume, when determining whether such potential distributors qualify as Vastec's distributors.

The table below sets out a summary of the key terms of the distribution agreements Vastec typically entered into with its distributors:

Duration	:	Typically for a term of one year.
Renewal	:	Distribution agreements are not automatically renewable. Parties shall negotiate renewal terms 30 days before the agreement expires.
Exclusivity	:	The distributors are authorised to sell specified products within the designated geographic areas or to designated hospitals as specified in their respective distribution agreements.
Minimum purchase amounts	:	The distributors are required to meet minimum purchase targets as specified in each agreement, in relation to both analysers and reagents. If the distributors are unable to meet such minimum sales target within ten days of the agreed date, the brand owner is entitled to terminate the distributorship.
Sales and expansion targets	:	Not specifically included in the distribution agreements.
Sales and pricing	:	Suggested distribution prices are specified in each agreement.
Payment and credit terms	:	Payments shall be made prior to delivery of the products.
Rights and obligations	:	Vastec may not grant distribution rights to another distributor in the specified area within the term of the distribution agreement without prior written approval of the distributor. End customers are entitled to a warranty period of 12 months of repairs at Vastec's costs.
Delivery, shipping and other costs	:	Vastec is responsible for the costs of shipping.
Sales and inventory reports and estimates	:	Not specifically required in the distribution agreements.

Goods return policy	:	In general, reagents that are not complying with the relevant national standards issued by the PRC authorities, shall be returned, at Vastec's costs.
Obsolete stock arrangements	:	Not specifically stated in the distribution agreements.
Termination or breach of agreement terms	:	Vastec may terminate the distribution agreement if the distributor fails to make the purchase within ten days of the agreed time. Vastec may disqualify the distributor and downgrade him to an authorised dealer.

In relation to the sales of reagents, Vastec will adopt stringent control measures in order to ensure that the distributors that have yet to sign an agreement to follow the guidelines and restrictions imposed. These distributors will adhere to the terms and conditions as stated in their respective purchase orders placed. In general, such terms include the specific products to be sold, pricing, quantity of the products to be sold and delivery arrangements. Vastec, upon the receipt of a purchase order from its distributor, will generally communicate specifications on (i) designated geographical areas or designated end customers, (ii) sales and expansion targets; and (iii) sales and inventory reports and estimates, as a means exert a degree of control on such distributors. Vastec also encourages its distributors to report on sales progress and projected product demand on a regular basis. It also regularly monitors the performance of its distributors based on a number of factors including maintenance of their creditworthiness, expansion of distribution channels, improvement in overall sales performance. Moreover, Vastec has an established formal evaluation system for its distributors based on a set of criteria including sales performance, scale and experience.

Our Directors confirm that, on 1 March 2019, for stringent and effective control of Vastec's distributors, Vastec has implemented a new distributor management policy which requires those distributors that have not entered into a distribution agreement with Vastec to enter into an agreement with terms similar to the formal distribution agreement already entered into with Vastec's distributors.

To the best knowledge and belief of our Directors after making all reasonable enquires, save and except for Dacheng and Yao Lin (姚林), all of Vastec's distributors were independent third parties during the Track Record Period. Please see the section headed "Connected Transactions" for details.

Hospitals and Healthcare Institutions

Vastec sells a small amount of products directly to hospitals and healthcare institutions. As at 31 December 2016, 2017 and 2018, Vastec directly sold its products to 214, 218 and 186 hospitals and healthcare institutions mainly in the PRC, respectively. During the Track Record Period, the number of hospitals for sales of IVD analysers and IVD reagents were relatively stable. The fluctuation of the number of hospitals arose from Vastec's one-off sales of spare parts to the hospitals.

Vastec secures sales orders with hospitals and healthcare institutions for the purchase of IVD products through a competitive tendering process which is similar to that of Dacheng. Please see the paragraph headed "Quotation and tendering process" in this section for more details.

The table below sets out a summary of key terms of the supply agreements Vastec typically entered into with hospitals and healthcare institutions:

Duration	:	Not typically specified for analysers.
Renewal	:	The supply agreements will not be automatically renewed upon expiration.
Service to be rendered	:	Services include (1) onsite installation and commissioning of equipment; (2) provide special tools and auxiliary materials for equipment installation and maintenance; and (3) send professional and technical personnel to provide onsite training or guidance.
Payment and credit terms	:	Range from 30 days to 120 days.
Right of termination	:	Not specified in the agreement.

Maintenance Services

Apart from distributing IVD products in the PRC, Vastec also provides maintenance services to the end customers of Sysmex' haemostasis analysers. In April 2017, Vastec and Sysmex entered into a formal service agreement for the provision of maintenance services. The maintenance services provided by Vastec generally include maintenance and repair services, installation services and end customer trainings. Vastec primarily provides its maintenance services to hospitals and healthcare institutions. The Sysmex' haemostasis analysers sold by Vastec generally come with a warranty period of up to one year. The maintenance services are provided by the in-house technicians of Vastec. The technicians are required to attend the training provided by Sysmex from time to time to ensure that they are able to carry out the repair and maintenance services with a high level of end customer satisfaction. Revenue generated from provision of maintenance services was nil, approximately RMB67.6 million and RMB123.1 million for the years ended 31 December 2016, 2017 and 2018.

The table below sets forth a summary of the key principal terms of the service agreement Vastec entered into with Sysmex:

Duration	:	The service agreement has a term of one year.
Renewal	:	The service agreement will not be automatically renewed upon expiration.
Scope of work	:	The scope includes (i) provision of repair and maintenance services to the end-customers of Sysmex; (ii) installation of products; end customer training; (iii) provision of assistance in analyser upgrades; and (iv) quality control and delivery of analyser.
Payment terms	:	Sysmex will conduct a performance appraisal of the after-sales maintenance serviced provided by Vastec, and pay Vastec 4%-10% of its annual purchase amount of Sysmex' reagents based on the appraisal results.
Termination	:	Not specified in the agreement.

SELF-BRANDED PRODUCTS BUSINESS – UNDER OUR BRAND NAME "IVD"

We also engage in the research, development, manufacturing and sales of IVD analysers and reagents under our own brand "IVD" through IVD China and its subsidiaries. Our self-branded IVD reagents were manufactured by our operating subsidiary Suzhou DiagVita and our IVD analysers were produced by our OEM manufacturer.

Research and Development

We believe that our strong research and development capabilities form part of the valuable assets that distinguish us from our competitors. As IVD products are fast evolving in the market, it is important for us to keep abreast of the latest market trends, developments and changing consumers' preferences, and to develop new types of products to remain competitive in the market.

We are able to independently carry out research and develop IVD analysers and reagents and we can quickly put the same into production. As at the Latest Practicable Date, Suzhou DiagVita registered ten patents in the PRC.

During the Track Record Period, our research and development expenses were approximately RMB0.1 million, RMB0.6 million and RMB0.7 million, respectively. The product research and development expenses include, but are not limited to, trial production cost of new products, remuneration of our research specialists and the costs of raw materials that are used in our laboratory testing.

Production process

The product development process generally comprises seven key stages. The following diagram illustrates the key stages of the product development process:

Steps	Description
R&D	• Market and technology research • Product positioning
Product Design	• Product design • Review and approve design
Product Modelling	• Product modelling • Review and improvement of product designs
Clinical Trial	• Conduct clinical trial
Approval of Prototype	• Review and approval of prototype
Approval by Regulatory Authorities	• Obtain relevant approvals for the production and distribution of IVD products from regulatory authorities including but not limited to NMPA
Production and Product Launch	• Formulation of distribution plans • OEM production or self production • Product delivery, warehousing and product launch

We outsource the manufacturing of our self-branded analysers to an OEM manufacturer and we manufacture our self-branded reagents on our own through our operating subsidiary Suzhou DiagVita. The production facility is located at Suite #301 and #401, Building C7, 218 Xinghu Road, Biobay, SIP, Suzhou, PRC, 215123 with a total area of 2,148 sq.m.

The table below sets forth the production capacity for self-branded IVD reagents during the Track Record Period:

			For the year ended 31 December					
			2016		2017		2018	
Location	*Production line*[(1)]	*Products manufactured*[(2)]	*Designed production capacity (in million tests)*[(3)]	*Actual production capacity (in million tests) and utilisation rate*[(4)]	*Designed production capacity (in million tests)*[(3)]	*Actual production capacity (in million tests) and utilisation rate*[(4)]	*Designed production capacity (in million tests)*[(3)]	*Actual production capacity (in million tests) and utilisation rate*[(4)]
Suite #301 and #401, Building C7, 218 Xinghu Road, Biobay, SIP, Suzhou, PRC, 215123	Reagent production line	Full range CRP reagent (immunonephelometry)	1.88	1.20 (64.0%)	2.68	0.73 (27.2%)	2.68	2.03 (75.8%)
		High sensitivity CRP reagent (immunoturbidimetry)	–	–	7.14	4.76 (66.7%)	7.14	1.62 (22.6%)

Notes:

1. As at 31 December 2018, we have two developed self-branded reagents for production. The production line to manufacture the two products have one common feature, thus the production line could not manufacture both products at full capacity in parallel.

2. For more information of the two developed products, please see the paragraph headed "– Products Developed" in this section.

3. This is the full capacity of the production line if it is used to only manufacture one product.

4. This is the production and utilisation of when the products are actually manufactured concurrently, though not at full capacity for each of the products, for the periods indicated.

The designed production capacity of our facility is calculated by the number of working days per year (i.e. 250 working days) multiplied by the production volume of the reagent per production cycle and divided by the duration of the production cycle. The length of the production cycle is dependent on the time required for certain chemical reactions to occur in the production process and the utilisation of the machinery and equipment of the facilities. For instance, the designed production capacity of the full range CRP reagent increased from 1.88 million tests for the year ended 31 December 2016 to 2.68 million tests for the year ended 31 December 2017. This was primarily due to the addition of the equipments in the production facility and as a result, the production cycle of the full range CRP reagent was subsequently decreased by approximately 30%, which led to the increase in the designed production capacity.

The actual production capacity represents the actual volume of the reagents produced during the Track Record Period. As the production of the two reagents will require the utilisation of a common feature in the production facility, the two reagents would not be able to be produced at full capacity and in parallel. Thus, the actual production capacity will fluctuate according to the changing market demands for each of the reagent, which in turn will affect the product mix and the production volume. For instance, whilst the designed production capacity of the full range CRP reagent (i.e. when produced in full capacity) is 2.68 million tests in 2017, the actual production capacity was only 0.73 million tests because the production facility was also manufacturing the high sensitivity CRP reagent, in parallel.

During the Track Record Period, our OEM expenses incurred were approximately RMB1.2 million, nil and RMB1.9 million. Our Directors believe that by utilising an OEM manufacturer for production offers us the opportunity to focus resources on key stages of business, such as product development and sales and distribution.

Our OEM manufacturer engaged is specialised in the production of IVD analysers, and is experienced in providing OEM services. In accordance with the relevant laws, we are liable to our customers for the obligations of our OEM manufacturer. Therefore, we adopt a strict guideline to evaluate our OEM manufacturer in relation to its infrastructure and production capacity, licences held, financial condition, and its ability to meet the specific quality and quantity requirements for IVD products. In addition, we implement stringent product quality requirements on the OEM manufacturer to ensure that the selected OEM manufacturer are able to meet the quality requirements as set out by us. During the Track Record Period, we did not encounter any disruption to our business operation due to material non-compliance, counterparty default or business interruption by the OEM manufacturer. To the best knowledge of our Directors, there was no incident of confidentiality breach by such OEM manufacturer during the Track Record Period and up to Latest Practicable Date.

During the Track Record Period, we had one OEM manufacturer and have been working with this OEM manufacturer for six years. We do not rely on any single OEM manufacturer as there is a large number of OEM manufacturers for IVD products with similar quality and price available in the market.

The table below summarise the key terms of the production and purchase agreement we entered into with the OEM manufacturer:

Duration	:	The production and purchase agreement does not have a specified duration.
Renewal	:	The production and purchase agreement is not automatically renewed.
Service to be rendered	:	The OEM manufacturer shall manufacture the products in accordance with our standards and specifications; and in accordance with the terms and conditions of the production and purchase agreement.
Payment and credit terms	:	Payment shall be arranged by deposit, followed by payment of the remaining balance of each batch prior to delivery.

Products Developed

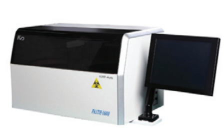
IVD analysers and reagents are classified as medical devices under the relevant PRC regulations. According to the relevant laws and regulations, medical devices are classified into three different categories, Class I, Class II and Class III, based on the invasiveness of and risks associated with each medical device. The classification of a medical device also determines the types of product registration certificates required and the level of regulatory authority involved in granting the product registration certificates. Please refer to the section headed "Regulatory Overview – Classification of medical devices" in this prospectus for more details.

We distribute our self-developed IVD products under our own brand which includes IVD analysers and reagents primarily under the IVD testing category of POCT.

For the years ended 31 December 2016, 2017 and 2018, we recorded revenue of approximately RMB7.3 million, RMB18.9 million and RMB5.2 million under the self-branded products business segment, respectively.

Our Self-branded analysers

During the Track Record Period, there were three developed IVD analysers and one analyser under development. Details of the developed products are more particularly set out as follows:

Product category	Product name	Sample product picture	Usage	Issue Authority	Registration certificate number	Registration certificate category
POCT	Neph-EZ-400: Semi-automatic specific protein analyser(1)		Quantitative detection of multiple biomarkers in blood	Jiangsu Food and Drug Administration	20142400353	Class II
POCT	iCRP: CRP Fully automatic analyser		Quantitative detection of CRP marker in blood	Jiangsu Food and Drug Administration	2072400894	Class II
POCT	FAITH-1600: Fully automatic biochemical analyser		Quantitative detection of multiple biomarkers in blood	Jiangsu Food and Drug Administration	20162401446	Class II

For the years ended 31 December 2017 and 2018, there had been a factory reset, adjustment and calibration of our self-branded IVD analysers, for adapting our self-branded IVD analysers originally designed for use in the outpatient department to the emergency department in hospitals. We have engaged a third party service provider to upgrade the software of our self-branded IVD analysers to improve the interface and make it more user-friendly for use in the emergency department in hospitals. The factory reset led to little or no sales of our self-branded analysers resulting in a decrease of our Original Group's revenue via distributors under the self-branded products from approximately RMB18.9 million for the year ended 31 December 2017 to approximate RMB5.2 million for the year ended 31 December 2018. Our Directors believe that the factory reset for the upgrade of our self-branded IVD analysers can improve users' satisfaction and will have positive effects on our self-branded business in the long run. Our Directors expect that manufacturing and sales of such IVD analysers shall re-commence by the first half of 2019.

Our Self-branded reagents

During the Track Record Period, there were two developed IVD reagents and two reagents under development. Details are more particularly set out as follows:

Product category	Product name	Sample product picture	Usage	Issue Authority	Registration certificate number	Registration certificate category
POCT	Full range CRP reagent (immunonephelometry)		Quantitative detection of CRP in blood	Jiangsu Food and Drug Administration	20142400353	Class II
POCT	High sensitivity CRP reagent (immunoturbidimetry)		Quantitative detection of CRP in blood	Jiangsu Food and Drug Administration	20162401446	Class II

The following table sets out the revenue of self-branded business by product type for the periods indicated:

Product type	Year ended 31 December					
	2016		2017		2018	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
IVD analysers	4,431	60.3	39	0.2	–	–
IVD reagents and other consumables	2,914	39.7	18,847	99.8	5,195	100.0
Total:	**7,345**	**100.0**	**18,886**	**100.0**	**5,195**	**100.0**

The following table sets forth the sales volume and selling price range of our self-branded products by product type for the periods indicated:

Product type	Year ended 31 December					
	2016		2017		2018	
	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions
	(unit)	(RMB/Unit)	(unit)	(RMB/Unit)	(unit)	(RMB/Unit)
IVD analysers	172	4,000-55,000	5	4,000-20,000	–	–
	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions
	('000 tests[(1)])	(RMB/test)	('000 tests)	(RMB/test)	('000 tests)	(RMB/test)
IVD reagents	821	2.14-4.27	5,437	2.14-4.27	1,566	1.29-4.31

Note:

1. Each IVD test sold has specific quantities of IVD reagents and consumables, varied according to the intended diagnostic purposes.

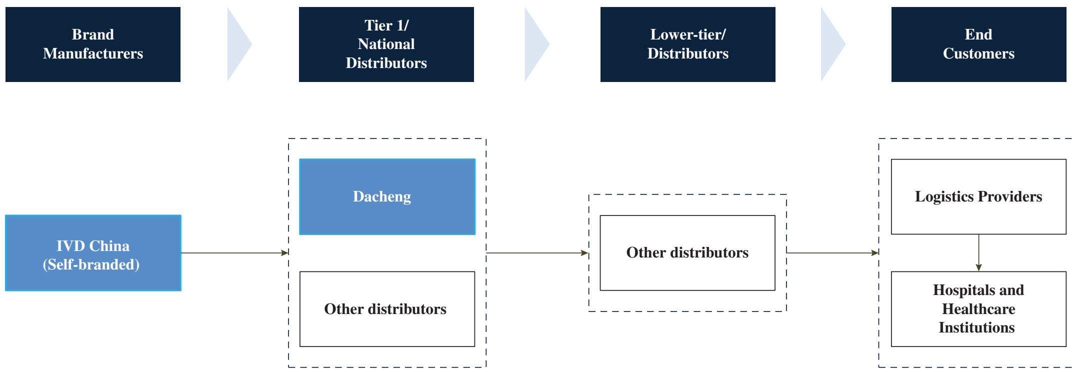
Products under development

As at the Latest Practicable Date, we are in the process of developing two reagents under the POCT testing category.

Sales and Distribution

We market and sell our self-branded IVD analysers and reagents under the our own brand in the PRC. We generally sell our products to our distributors, who in turn onsell our self-branded products to hospitals and healthcare institutions. We have a seller-buyer relationship with our distributors and revenue is recognised when the ownership of the products has been transferred to our distributors. During the Track Record Period, products were sold to 21 provinces and regions primarily through the distribution network of IVD China and its subsidiaries in the PRC.

The diagram below illustrates the business model of our self-branded products business segment during the Track Record Period:



The distributors engaged under the self-branded products business segment can be classified into two categories: (i) those that have entered into a distribution agreement with our Original Group; and (ii) those that have not entered into such an agreement. During the Track Record Period, our Original Group had engaged 52, 71 and 83 distributors under the self-branded products business segment, 50, 68 and 82 of which had not entered into a formal distribution agreement with our Original Group.

The table below shows the movement of distributors under the self-branded products business segment during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
Number of distributors at the beginning of the year	26	52	71
Additions of new distributors during the year	33	40	41
Reductions of existing distributors during the year	7	21	29
Number of distributors at the end of the year	52	71	83

For the years ended 31 December 2016, 2017 and 2018, we engaged 33, 40 and 41 new distributors for our self-branded products, respectively, as a means to expand its self-branded products business. Such new distributors also included those that maintained their relationships with our Original Group's self-branded products business segment after a change in company name or they have ceased business operations and later reincorporated as a new entity. For the same periods, we also terminated 7, 21 and 29 existing distributors, mainly in order to optimise the pool of distributors and to let go those who unable to meet our expectation on market development. Such terminated distributors also included those that have ceased business operations and those that only made ad-hoc or infrequent purchases without entering a distribution agreement with our Original Group.

The following table sets out the breakdown as to the number of distributors with which our Original Group did not renew their agreements or otherwise discontinued their relationships, or those distributors which have ceased operations under the self-branded business segment for each of year during the Track Record Period and their respective revenue contribution for the periods indicated:

		Year ended 31 December					
		2016		2017		2018	
	Number of distributors with which our Original Group had discontinued its business relationship under the self-branded business segment	Revenue	% of the Original Group's total Revenue	Revenue	% of the Original Group's total Revenue	Revenue	% of the Original Group's total Revenue
		(RMB' 000)	*(%)*	*(RMB' 000)*	*(%)*	*(RMB' 000)*	*(%)*
During the year ended 31 December 2016	7	–	–	–	–	–	–
During the year ended 31 December 2017	21	4,849	1.7	43	0.0	–	–
During the year ended 31 December 2018	29	855	0.3	15,629	4.6	1,989	0.5

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, all of our distributors under our self-branded products business segment, were independent third parties over which we had no ownership in or control, and none of the distributors were wholly-owned or majority controlled by the current or former employees of our Original Group. We benefit from our distributors' established distribution network and resources, which save costs that would otherwise be required to establish an extensive distribution network across the PRC, and increase the effectiveness of launching and selling self-branded products in the target markets in a short period of time.

Management of distributors

As the self-branded products business is a recently developed segment when compared to the other business segments, our Directors confirm that our Original Group has taken a relatively flexible approach in engaging distributors. For this reason, a majority of our Original Group's distributors under the self-branded business segment had only been engaged by way of purchase order which specified the designated end customer, pricing, delivery arrangements and products to be distributed. Once a distributor is determined to be reliable and worthy of a long-term stable relationship, a formal distribution agreement will be entered into by both parties.

The table below sets out a summary of the key principal terms of the distribution agreements:

Duration	:	Typically a term of one and a half years.
Renewal	:	The distribution agreements are not automatically renewable.
Exclusivity	:	The distributors are authorised to sell specified products only within the designated geographic area as specified in their respective distribution agreements, and they are not permitted to sell the products outside their defined geographic area without prior approval of our Original Group.
Minimum purchase amounts	:	The distributors are required to meet minimum purchase targets for a specific period of time. If the distributors are unable to meet such minimum sales target of that quarter, the brand owner is entitled to terminate the distributorship.
Sales and pricing	:	Distribution and selling prices are specified in the distribution agreements.
Payment and credit terms	:	The payment and credit terms vary from agreement to agreement, but payment will be made prior delivery.
Delivery, shipping and other costs	:	Distributors are responsible for the costs of shipping and insurance if the distributors purchase less than a specified quantity of products, otherwise our Original Group is responsible for the costs of shipping and insurance.
Termination or breach of agreement terms	:	If the distributors are in breach of certain terms of the distribution agreement (such as geographical exclusivity), the agreement will be terminated.
Sales and expansion targets	:	Not specifically stated in the distribution agreements.

Goods return policy	:	Products that are of unsatisfactory standards, by taking reference to the national standards issued by the PRC government, may be returned at our Original Group's costs.
Sales and inventory reports and estimates	:	Not specifically required in the distribution agreements.
Obsolete stock arrangement	:	Not specifically stated in the distribution agreements.

Regarding the stringent control and management measures of the distributors under the self-branded business segment, our Original Group has adopted similar measures as those by Vastec. Please see the paragraph headed "Business – Distribution through Vastec – Management of distributors" for more details.

SUPPLIERS AND CUSTOMERS

Suppliers of our Original Group

During the Track Record Period, major suppliers of our Original Group included Vastec and other tier 1 distributors which sourced IVD products from international IVD manufacturers. In general, our Original Group does not enter into any distribution agreements with its suppliers with a term exceeding one year. For the years ended 31 December 2016, 2017 and 2018, purchases from our Original Group's top five suppliers accounted for approximately 71.4%, 68.2% and 70.3% of the total purchases of our Original Group for the same period, respectively, and purchases from our Original Group's being Vastec accounted for approximately 41.6%, 37.0% and 36.9% of the total purchases of our Original Group for the same period, respectively.

The tables below set forth the basic information of our Original Group's top five suppliers during the Track Record Period:

For the year ended 31 December 2016

Supplier	Major products procured from the supplier	Approximately % of our Original Group's total purchase	Background of the supplier	Principal business of the supplier	Years of business relationship as at 31 December 2016 (approximate)
Vastec[(1)]	Haemostasis reagents	41.6%	Our subsidiary, established in Hong Kong, operating as the national distributor of haemostasis products by Sysmex.	Distributor of IVD products, which also provides maintenance services to end customers of Sysmex' IVD analysers	5

Supplier	Major products procured from the supplier	Approximately % of our Original Group's total purchase	Background of the supplier	Principal business of the supplier	Years of business relationship as at 31 December 2016 (approximate)
Supplier A . .	Immunoassay reagents	11.5%	A company established in the PRC, with nationwide operations	Distributor of IVD products	2
Supplier B . .	Clinical chemistry reagents	7.4%	A Shanghai-listed company established in the 1990s, with nationwide operations	Provider of integrated services, support, products and equipment in the field of IVD to laboratories and hospitals	5
Supplier C . .	Immunoassay reagents	5.9%	A company established in the PRC in the 1990s, mainly operating in Shanghai	Provider of IVD products either through sales or rental arrangement	3
Sysmex	Haematology and body fluid reagents	5.0%	A Japan-listed company established in the 1960s as a manufacturer of IVD products, with global sales and distribution networks	Development, manufacture, sales and export/import of diagnostic instruments, reagents and related software, targeting national and other public hospitals, private hospitals, universities, research institutes, other medical institutions	5

Note:

1. Vastec was an associated company of our Original Group during the Track Record Period and became our wholly-owned subsidiary upon the completion of the Acquisition on 25 January 2019. Please refer to the section headed "History, Reorganisation and Corporate Structure – Phase 2: Pre-IPO Investment in 2019 with Huatuo" in this prospectus for further details.

For the year ended 31 December 2017

Supplier	Major products procured from the supplier	Approximately % of our Original Group's total purchase	Background of the supplier	Principal business of the supplier	Years of business relationship as at 31 December 2017 (approximate)
Vastec	Haemostasis reagents	37.0%	Our subsidiary, established in Hong Kong, operating as the national distributor of haemostasis products by Sysmex	Distributor of IVD products, which also provides maintenance services to end customers of Sysmex' IVD analysers	6
Supplier D . .	Haematology and body fluid analysers and reagents	14.3%	A Shenzhen-listed company established in the 1980s, with nationwide operations	Distributor of medical and diagnostic equipment for hospitals and healthcare institutes in the PRC	5
Supplier B . .	Clinical chemistry and immunoassay reagents	5.9%	A Shanghai-listed company established in the 1990s, with nationwide operations	Provider of integrated services, support, products and equipment in the field of IVD to laboratories and hospitals	6
Supplier C . .	Immunoassay reagents	5.8%	A company established in the PRC in the 1990s, mainly operating in Shanghai	Provider of IVD products either through sales or rental arrangement	4

Supplier	Major products procured from the supplier	Approximately % of our Original Group's total purchase	Background of the supplier	Principal business of the supplier	Years of business relationship as at 31 December 2017 (approximate)
Sysmex	Immunoassay reagents	5.1%	A Japan-listed company established in the 1960s as a manufacturer of IVD products, with global sales and distribution networks	Development, manufacture, sales and export/import of diagnostic instruments, reagents and related software, targeting national and other public hospitals, private hospitals, universities, research institutes, other medical institutions	6

For the year ended 31 December 2018

Supplier	Major products procured from the supplier	Approximately % of our Original Group's total purchase	Background of the supplier	Principal business of the supplier	Years of business relationship as at 31 December 2018 (approximate)
Vastec	Haemostasis analysers and reagents	36.9%	Our subsidiary, established in Hong Kong, operating as the national distributor of haemostasis products by Sysmex	Distributor of IVD products, which also provides maintenance services to end customers of Sysmex' IVD analysers	7

Supplier	Major products procured from the supplier	Approximately % of our Original Group's total purchase	Background of the supplier	Principal business of the supplier	Years of business relationship as at 31 December 2018 (approximate)
Supplier D . .	Haematology and body fluid analysers and reagents	11.5%	A Shenzhen-listed company established in the 1980s, with nationwide operations	Distributor of medical and diagnostic equipment for hospitals and healthcare institutes in the PRC	6
Supplier B . .	Clinical chemistry and immunoassay reagents	9.3%	A Shanghai-listed company established in the 1990s, with nationwide operations	Provider of integrated services, support, products and equipment in the field of IVD to laboratories and hospitals	7
Sysmex	Immunoassay and clinical chemistry reagents	6.7%	A Japan-listed company established in the 1960s as a manufacturer of IVD products, with global sales and distribution networks	Development, manufacture, sales and export/import of diagnostic instruments, reagents and related software, targeting national and other public hospitals, private hospitals, universities, research institutes, other medical institutions	7

Supplier	Major products procured from the supplier	Approximately % of our Original Group's total purchase	Background of the supplier	Principal business of the supplier	Years of business relationship as at 31 December 2018 (approximate)
Supplier E . .	POCT, haematology and body fluid reagents	5.9%	Company established in the PRC in the 1990s, mainly operating in Shenzhen.	Development, manufacture and sales of biotechnology products such as testing instruments and related IVD reagents	0.5

Save and except that Vastec was an associated company of our Original Group during the Track Record Period, the five largest suppliers during the Track Record Period were all independent third parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital as at the Latest Practicable Date) had any interest, directly or indirectly in any of our Original Group's five largest suppliers during the Track Record Period except for the direct interests in Vastec previously held by Huatuo. For more details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure – Our subsidiaries in Hong Kong – Vastec HK" in this prospectus. Our Original Group did not experience any material disruption, disputes or delay in relation to the supply by our suppliers during the Track Record Period and up to the Latest Practicable Date.

Relationship with Vastec

During the Track Record Period, our Original Group's purchase from Vastec amounted to approximately RMB103.8 million, RMB94.0 million and RMB116.6 million, respectively, representing approximately 41.6%, 37.0% and 36.9% of our Original Group's purchase for the respective periods. The transactions between our Original Group and Vastec were entered into in the ordinary and usual course of business and on normal commercial terms. For details, please see the section headed "Accountants' Report – Related Party Transaction" in Appendix I to this prospectus. During the Track Record Period, sales of Sysmex' haemostasis products purchased from Vastec amounted to approximately RMB105.8 million, RMB135.6 million and RMB156.2 million, respectively, representing approximately 36.4%, 40.1% and 37.8% of our Original Group's total revenue. During the Track Record Period, our Original Group recorded returns from the investment in Vastec and share of results attributable to the investment in associates which mainly include Vastec was approximately RMB34.4 million, RMB69.9 million and RMB76.5 million, respectively, representing approximately 60.1%, 62.1% and 76.9% of our Original Group's total profit during the same period.

Relationship with Sysmex

Founded in 1968, Sysmex is a Japanese company listed on the Tokyo Stock Exchange. Sysmex' business has been focused on the IVD field which involves the provision of instruments, reagents and software. It started its business as one of the first company in Japan to enhance and improve haemotology methods, when the convention back in the days only relied on microscopic observations. According to Frost & Sullivan, Sysmex is a market leader in the global IVD market in the fields of haemotology, haemostasis and urinalysis. Sysmex currently has an overseas sales ratio of more than 80% and in excess of 8,000 employees, with over 600 employees in the PRC. According to Sysmex' latest annual report, net sales for the financial year ended 31 March 2018, amounted to approximately JPY281.9 billion, up 12.8% year on year. Its operating profit increased by 14.3% from approximately JPY51.7 billion for the financial year ended 31 March 2017 to approximately JPY59.1 billion for the financial year ended 31 March 2018. For the financial year ended 31 March 2018, net sales generated from Sysmex' PRC operations amounted to approximately JPY72.1 billion representing 25.6% of its total net sales.

Our Directors confirm that, apart from a business relation in an ordinary sense, the Company, its subsidiaries, their directors, shareholders, senior management or any of their respective associates, does not have any past or present relationship (including employment, financing, business, trust and family relationship) with Sysmex (including its shareholders, directors, employees and their respective associates).

Customers of our Original Group

During the Track Record Period, our Original Group's major customers are hospitals and healthcare institutions, logistics providers and distributors. Generally, the terms and conditions of sales are set out in the distribution agreement or purchase agreement.

For the years ended 31 December 2016, 2017 and 2018, sales to our Original Group's five largest customers accounted for approximately 61.3%, 51.0% and 51.8% of Original Group's total revenue, and sales to the largest customer accounted for approximately 26.5%, 25.3% and 23.6% of Original Group's total revenue, respectively.

The tables below set forth the basic information of our Original Group's top five customers during the Track Record Period:

For the year ended 31 December 2016

Customer	Major products sold to the customer	Approximate % of our Original Group's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2016 (approximate)
Customer A . .	Immunoassay reagents	26.5%	A hospital established in the PRC in the 1960s, with main operations based in Shanghai, categorised as a Class III hospital. Currently affiliated to a university based in Shanghai	Provision of medical services, both in-patient and out-patient	5
Customer B .	Haemostasis and immunoassay reagents	20.2%	A company established in the PRC in 2003, with nationwide operations	A logistics provider and suppliers of various medical products	1
Customer E . .	Immunoassay reagents	8.3%	A company established in the PRC in 2011, with its main operations in Shanghai	A logistics provider for suppliers of various medical products	1
Customer F . .	Immunoassay reagents	3.2%	A hospital established in the PRC in the 1950s, with main operations based in Shanghai, categorised as a Class III hospital. Currently affiliated to a university based in Shanghai	Provision of medical services, both in-patient and out-patient, generally for women and children	5

Customer	Major products sold to the customer	Approximate % of our Original Group's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2016 (approximate)
Customer G .	Haemostasis reagents	3.1%	A hospital established in the PRC in the 1930s, with main operations based in Shanghai, categorised as a Class III hospital. Currently affiliated to a university based in Shanghai	Provision of medical services, both in-patient and out-patient	5

For the year ended 31 December 2017

Customer	Major products sold to the customer	Approximate % of Original Group's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2017 (approximate)
Customer A . .	Immunoassay reagents	25.3%	A hospital established in the PRC in the 1960s, with main operations based in Shanghai, categorised as a Class III hospital. Currently affiliated to a university based in Shanghai	Provision of medical services, both in-patient and out-patient	6
Customer B .	Haemostasis and immunoassay reagents	15.0%	A company established in the PRC in 2003, with nationwide operations	A logistics provider and suppliers of various medical products	2

Customer	Major products sold to the customer	Approximate % of Original Group's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2017 (approximate)
Customer F . .	Immunoassay reagents	4.2%	A hospital established in the PRC in the 1950s, with main operations based in Shanghai, categorised as a Class III hospital. Currently affiliated to a university based in Shanghai	Provision of medical services, both in-patient and out-patient, generally for women and children	6
Customer J . .	Haemostasis analysers and reagents	3.3%	A company established in the PRC in the 2010s, with its main operations in Shanghai	Provider of services, products, and equipment in relation to medical devices	5
Customer G . .	Haemostasis reagents	3.1%	A hospital established in the PRC in the 1930s, with main operations based in Shanghai, categorised as a Class III hospital. Currently affiliated to a university based in Shanghai	Provision of medical services, both in-patient and out-patient	6

For the year ended 31 December 2018

Customer	Major products sold to the customer	Approximate % of our Original Group's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2018 (approximate)
Customer A . .	Immunoassay reagents	23.6%	A hospital established in the PRC in the 1960s, with main operations based in Shanghai, categorised as a Class III hospital. Currently affiliated to a university based in Shanghai	Provision of medical services, both in-patient and out-patient	7
Customer B .	Haemostasis and immunoassay reagents	13.3%	A company established in the PRC in 2003, with nationwide operations	Logistics provider and suppliers of various medical products	3
Customer H . .	POCT and haematology and body fluid reagents	6.9%	A company established in the PRC in 2007, with its main operations in Shanghai	Provider of IVD products, services and support	3
Customer F . .	Immunoassay reagents	4.9%	A hospital established in the PRC in the 1950s, with main operations based in Shanghai, categorised as a Class III hospital. Currently affiliated to a university based in Shanghai	Provision of medical services, both in-patient and out-patient, generally for women and children	7

Customer	Major products sold to the customer	Approximate % of our Original Group's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2018 (approximate)
Customer I . .	Haemostasis reagents	3.1%	A company established in the PRC in 1995, with its main operations in Shanghai	A distributor of IVD reagents	7

During the Track Record Period, the top five customers of our Original Group were all independent third parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital as at the Latest Practicable Date) had any interest, directly or indirectly, in any of our Original Group's top five customers during the Track Record Period.

During the Track Record Period, to the best knowledge of our Directors, our Original Group did not have any material disputes with its customers or face any major return of defective products.

Overlapping customers and suppliers of our Original Group

For the year ended 31 December 2016, our Original Group had 29 overlapping customers and suppliers, two of which was among our Original Group's top five customers and four were among our Original Group's top five suppliers.

For the year ended 31 December 2017, our Original Group had 28 overlapping customers and suppliers, three of which were among our Original Group's top five customers and four were among our Original Group's top five suppliers.

For the year ended 31 December 2018, our Original Group had 33 overlapping customers and suppliers, four of which were among our Original Group's top five customers and five were among our Original Group's top five suppliers.

The following table sets out our Original Group's total sales revenues and purchase amount from the overlapping customers-suppliers during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
Sales to the overlapping customer-supplier			
Sales revenue (tax included) (RMB'000)	77,177	102,472	132,975
As a percentage of our total sales revenue (%)	26.6	30.3	32.1
Purchase from the overlapping customer-supplier			
Purchase amount (tax included) (RMB'000)	184,119	148,464	234,437
As a percentage of our total purchases (%)	73.7	58.5	74.2

Vastec was one of our Original Group's five largest suppliers and one of our Original Group's customers for the years ended 31 December 2016, 2017 and 2018. During the Track Record Period, our Original Group purchased various IVD products from Vastec, including mainly Sysmex' haemostasis analysers and reagents, as Vastec has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997. During the Track Record Period, our Original Group also supplied various IVD products to Vastec, including mainly, international brand B's clinical chemistry analysers and reagents, and Sysmex' haematology and body fluid analysers and reagents (excluding Sysmex' haemostasis products). Our Original Group's revenue derived from Vastec for the years ended 31 December 2016, 2017 and 2018 amounted to approximately RMB4,274, RMB2.2 million and RMB1.7 million, respectively, representing less than 0.7% of our Original Group's total revenue each year. For the years ended 31 December 2016, 2017 and 2018, our Original Group's purchase from Vastec amounted to approximately RMB103.8 million, RMB94.0 million and RMB116.6 million, respectively, representing approximately 41.6%, 37.0% and 36.9% of our Original Group's total purchases, respectively.

Supplier A was one of our Original Group's five largest suppliers for the year ended 31 December 2016 and one of our Original Group's customers for the years ended 31 December 2016, 2017 and 2018. During the Track Record Period, our Original Group purchased various IVD products from Supplier A, including mainly international brand A's immunoassay reagents. During the Track Record Period, our Original Group also supplied various IVD products to Supplier A, including mainly Sysmex' haemostasis reagents. Our Original Group's revenue derived from Supplier A for each of the years ended 31 December 2016, 2017 and 2018 amounted to approximately RMB7.0 million, RMB7.8 million and RMB7.1 million, respectively, representing approximately 2.4%, 2.3% and 1.7% of our Original Group's total revenue, respectively. For the years ended 31 December 2016, 2017 and 2018, our Original Group's purchase from Supplier A amounted to approximately RMB28.6 million, RMB9.7 million and RMB7.6 million, respectively, representing approximately 11.5%, 3.8% and 2.4% of our Original Group's total purchases, respectively.

Supplier B was one of our Original Group's five largest suppliers and one of our Original Group's customers for the years ended 31 December 2016, 2017 and 2018. During the Track Record Period, our Original Group purchased various IVD products from Supplier B, including mainly international brand B's immunoassay reagents and international brand D's clinical chemistry reagents. During the Track Record Period, our Original Group also supplied various IVD products to Supplier B, including mainly, international brand B's clinical chemistry analysers and reagents, and Sysmex' haemostasis reagents. Our Original Group's revenue derived from Supplier B for each of the years ended 31 December 2016, 2017 and 2018, amounted to approximately RMB1.2 million, RMB3.8 million and RMB3.6 million, respectively, representing approximately 0.4%, 1.1% and 0.9% of our Original Group's total revenue, respectively. For the years ended 31 December 2016, 2017 and 2018, our Original Group's purchase from Supplier B amounted to approximately RMB18.6 million, RMB15.0 million and RMB29.5 million, respectively, representing approximately 7.4%, 5.9% and 9.3% of our Original Group's total purchases, for the same period, respectively.

Supplier D was one of our Original Group's five largest suppliers for the years ended 31 December 2017 and 2018, and one of our Original Group's customers for the year ended 31 December 2018. During the Track Record Period, our Original Group purchased various IVD products from Supplier B, including mainly Sysmex' urinalysis reagents and analysers. Our Original Group's revenue derived from Supplier D for each of the years ended 31 December 2016, 2017 and 2018 amounted to nil, nil and approximately RMB0.3 million, respectively, representing nil, nil and approximately 0.1% of our Original Group's total revenue, respectively. For the years ended 31 December 2016, 2017 and 2018, our Original Group's purchase from Supplier D amounted to approximately RMB10.2 million, RMB36.4 million and RMB36.3 million, respectively, representing approximately 4.1%, 14.3% and 11.5% of our Original Group's total purchases, respectively.

Customer B was one of our Original Group's five largest customers and one of our Original Group's Suppliers for the years ended 31 December 2016, 2017 and 2018. During the Track Record Period, our Original Group supplied various IVD products to Customer B,including mainly Sysmex' haemostasis reagents, international brand B's immunoassay reagents and international brand A's immunoassay reagents. During the Track Record Period, our Original Group also purchased various IVD products from Customer B, including mainly international brand G's microbiology reagents and international brand H's clinical chemistry reagents. Our revenue derived from Customer B for each of the years ended 31 December 2016, 2017 and 2018 amounted to approximately RMB58.8 million, RMB50.8 million and RMB55.0 million, respectively, representing approximately 20.2%, 15.0% and 13.3% of our Original Group's total revenue, for the same period, respectively. For the years ended 31 December 2016, 2017 and 2018, our Original Group's purchase from Customer B amounted to approximately RMB0.2 million, RMB0.2 million and RMB0.9 million, respectively, representing approximately 0.1%, 0.1% and 0.3% of our Original Group's total purchases, for the same period, respectively.

Customer H was one of our Original Group's five largest customers for year ended 31 December 2018 and one of our Original Group' suppliers for the years ended 31 December 2016, 2017 and 2018. During the Track Record Period, our Original Group supplied various IVD products to Customer H, including mainly Sysmex' haemostasis analysers, domestic brand F's haematology and body fluid and POCT reagents. During the Track Record Period, our Original Group also purchased various IVD products from Customer H, including mainly domestic brand F's haematology and body fluid tests and POCT reagents. Our Original Group's revenue derived from Customer H for each of the years ended 31 December 2016, 2017 and 2018 amounted to approximately RMB1.6 million, RMB7.2 million and RMB28.5 million, respectively, representing approximately 0.6%, 2.1% and 6.9% of our Original Group's total revenue, for the same period, respectively. For the years ended 31 December 2016, 2017 and 2018, our Original Group's purchase from Customer H amounted to approximately RMB1.1 million, RMB0.9 million and RMB2.1 million, respectively, representing approximately 0.4%, 0.3% and 0.7% of our Original Group's total purchases, for the same period, respectively.

Customer I was one of our Original Group's five largest customers for the year ended 31 December 2018 and one of our Original Group' suppliers for the year ended 31 December 2018. During the Track Record Period, our Original Group supplied various IVD products to Customer I, including mainly Sysmex' haemostasis reagents. During the Track Record Period, our Original Group also purchased international brand H's immunoassay reagents from Customer I. Our Original Group's revenue derived from Customer I for each of the years ended 31 December 2016, 2017 and 2018 amounted to approximately RMB7.3 million, RMB9.8 million and RMB12.8 million, respectively, representing approximately 2.5%, 2.9% and 3.1% of our Original Group's total revenue, for the same period, respectively. For the years ended 31 December 2016, 2017 and 2018, our Original Group's purchase from Customer I amounted to nil, nil and approximately RMB2.3 million, respectively, representing nil, nil and approximately 0.7% of our Original Group's total purchases, for the same period, respectively.

Customer J was one of our Original Group's five largest customers for the year ended 31 December 2017 and one of our Original Group's suppliers for the years ended 31 December 2017 and 2018. During the Track Record Period, our Original Group supplied various IVD products to Customer J, including mainly Sysmex' haematology and body fluid reagents and analysers. During the Track Record Period, our Original Group also purchased various IVD products from Customer J, including mainly domestic brand F's clinical chemistry reagents and international brand B's immunoassay reagents. Our Original Group's revenue derived from Customer J for each of the years ended 31 December 2016, 2017 and 2018 amounted to approximately RMB1.2 million, RMB11.3 million and RMB0.3 million, respectively, representing approximately 0.4%, 3.3% and 0.1% of our total revenue, for the same period, respectively. For the years ended 31 December 2016, 2017 and 2018, our Original Group's purchase from Customer J amounted to approximately nil, RMB0.7 million and RMB1.6 million, respectively, representing nil, approximately 0.3% and 0.5% of our Original Group's total purchases, for the same period, respectively.

Sysmex was one of our Original Group's top five suppliers and one of our Original Group's customers for the years ended 31 December 2016, 2017 and 2018. During the Track Record Period, as the tier 2 distributor of Sysmex' urinalysis products with nationwide distribution rights, our Original Group purchased various IVD products from Sysmex, including mainly Sysmex' urinalysis reagents, Sysmex' immunoassay reagents and clinical chemistry reagents from an international manufacturer. During the Track Record Period, our Original Group also supplied various IVD products to Sysmex, including mainly, international brand A's immunoassay reagents, international brand B's immunoassay reagents and international brand H's immunoassay reagents. Our Original Group's revenue derived from Sysmex for the years ended 31 December 2016, 2017 and 2018 amounted to approximately RMB85,695.7, RMB132,210.0 and RMB146,152.9, respectively, representing approximately 0.0%, 0.0% and 0.0% of our Original Group's total revenue, for the same period, respectively. For the years ended 31 December 2016, 2017 and 2018, our Original Group's purchase from Sysmex amounted to approximately RMB12.5 million, RMB13.0 million and RMB21.1 million, respectively, representing approximately 5.0%, 5.1% and 6.7% of our Original Group's total purchases for the same period, respectively.

Our Directors confirm that our Original Group's sales and purchases to/from such overlapping customers-suppliers were (i) entered into after due consideration taking into account the prevailing purchase and selling prices at the relevant times, (ii) conducted in the ordinary course of business under normal commercial terms and on an arm's length basis, and (iii) at prices that are no less favourable than from other independent third parties who are not customer-supplier. To the best knowledge of our Directors, our Original Group did not have any other overlap between our other major customers and major suppliers during the Track Record Period and up to the Latest Practicable Date.

Suppliers of Vastec

During the Track Record Period, Vastec's major suppliers were IVD products manufacturers. Vastec generally enters into distribution agreements with its suppliers for IVD analysers only. For the sales of IVD reagents, Vastec generally purchases the IVD reagents from its suppliers by placing purchase orders which specify the brand, type and quantity of the IVD reagents to be purchased. In general, Vastec does not enter into any distribution agreements with its suppliers with a term exceeding one year. For the the years ended 31 December 2016, 2017 and 2018, purchases from Vastec's five largest suppliers accounted for approximately 98.5%, 98.2% and 98.5% of the total purchases of Vastec, respectively, and purchases from Vastec's largest supplier accounted for approximately 94.7%, 94.7% and 94.9% of the total purchases of Vastec, respectively.

The tables below set forth the basic information of Vastec's top five suppliers during the Track Record Period:

For the year ended 31 December 2016

Supplier	Major products procured from the supplier	Approximate % of Vastec's total purchase	Background of the supplier	Principal business of the supplier	Years of business relationship as at 31 December 2016 (approximate)
Sysmex	haemostasis products	94.7%	A company listed in Japan as a manufacturer of IVD products, with global sales and distribution networks	Development, manufacture, sales and export/import of diagnostic instruments, reagents and related software, targeting national and other public hospitals, private hospitals, universities, research institutes, other medical institutions	19
Tecan	immunoassay products	2.3%	A company established in PRC in 2008, with its parent company established in Switzerland, with global sales and distribution networks	Sales and export/import of medical devices	7
Alifax	haematology (except haemostasis) and body fluid products	0.8%	A company established in Italy in the 1980s, with global sales networks	Development, production and distribution of clinical diagnostic instrumentation for laboratory automation	2
Supplier J	immunoassay products	0.4%	A company established in Italy in the 1970s, with global sales networks	Manufacturer of electrophoresis products, which includes instruments and reagents	3
Supplier K	electronic hardware	0.3%	A company established in the PRC in 2011, with main operations based in Shanghai	Manufacturer of computer hardware and software in the PRC	1

For the year ended 31 December 2017

Supplier	Major products procured from the supplier	Approximate % of Vastec's total purchase	Background of the supplier	Principal business of the supplier	Years of business relationship as at 31 December 2017 (approximate)
Sysmex	haemostasis products	94.7%	A company listed in Japan as a manufacturer of IVD products, with global sales and distribution networks	Development, manufacture, sales and export/import of diagnostic instruments, reagents and related software, targeting national and other public hospitals, private hospitals, universities, research institutes, other medical institutions	20
Tecan	immunoassay products	1.8%	A company established in PRC in 2008, with its parent company established in Switzerland, with global sales and distribution networks	Sales and export/import of medical devices	8
Alifax	haematology (except haemostasis and body fluid products)	0.8%	A company established in Italy in the 1980s, with global sales networks	Development, production and distribution of clinical diagnostic instrumentation for laboratory automation	3
Supplier I	microbiology products	0.5%	A company established in the PRC in 2003, with its parent company established in 2006 with global sales networks	A developer and manufacturer of biotechnology products	4
Supplier J	immunoassay products	0.4%	A company established in Italy in the 1970s, with global sales networks	A manufacturer of electrophoresis products, which includes instruments and reagents	4

For the year ended 31 December 2018

Supplier	Major products procured from the supplier	Approximate % of Vastec's total purchase	Background of the supplier	Principal business of the supplier	Years of business relationship as at 31 December 2018 (approximate)
Sysmex [1]	haemostasis products	94.9%	A company listed in Japan as a manufacturer of IVD products, with global sales and distribution networks	Development, manufacture, sales and export/import of diagnostic instruments, reagents and related software, targeting national and other public hospitals, private hospitals, universities, research institutes, other medical institutions	21
Tecan	immunoassay products	2.3%	A company established in PRC in 2008, with its parent company established in Switzerland, with global sales and distribution networks	Sales and export/import of medical devices	9
Alifax	haematology (except haemostasis and body fluid products)	0.8%	A company established in Italy in the 1980s, with global sales networks	Development, production and distribution of clinical diagnostic instrumentation for laboratory automation	4
Supplier K	electronic hardware	0.3%	A company established in PRC in 2011, with main operations based in Shanghai	A manufacturer of computer hardware and software in the PRC	3
Supplier J	immunoassay products	0.2%	A company established in Italy in the 1970s, with global sales networks	A manufacturer of electrophoresis products, which includes instruments and reagents	5

Note:

(1) During the Track Record Period, Vastec has engaged Agent A and Agent B to procure Sysmex' haemostasis products from Sysmex. Under an arrangement made between Vastec and each of Agent A and Agent B, these Agents will provide a letter of credit for Vastec's procurement of products from Sysmex. To obtain such a letter of credit, Vastec will provide these agents a deposit equivalent to 30% of the procurement consideration and a fee for their services. For the years ended 31 December 2016, 2017 and 2018, Vastec's total purchase through Agent A amounted to approximately RMB569.5 million, RMB715.7 million and RMB750.0 million, respectively, representing approximately 45.6%, 55.5% and 49.6% of Vastec's total purchase, respectively. Vastec has engaged Agent B to make a one-time purchase for Sysmex' IVD products from Sysmex during the year ended 31 December 2016. For the years ended 31 December 2016, 2017 and 2018, Vastec's total purchase through Agent B amounted to approximately RMB74.1 million, nil and nil, respectively, representing approximately 5.9%, nil and nil of Vastec's total purchase, respectively.

During the Track Record Period, save and except Dacheng, Vastec's top five suppliers were all independent third parties. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital as at the Latest Practicable Date) had any interest, directly or indirectly in any of Vastec's five largest suppliers during the Track Record Period. Vastec had not experienced any material disruption, disputes or delay in relation to the supply by Vactec's suppliers during the Track Record Period.

Customers of Vastec

During the Track Record Period, Vastec primarily distributed IVD products in the PRC through its lower-tier distributors. A small quantity of IVD products were also sold directly to hospitals and healthcare institutions.

For the years ended 31 December 2016, 2017 and 2018, sales to Vastec's top five customers accounted for approximately 25.9%, 22.9% and 23.2% of Vastec's total revenue, respectively, and sales to Vastec's largest customer accounted for approximately 7.5%, 6.5% and 6.3% of Vastec's total revenue, respectively.

The tables below set forth the basic information of Vastec's top five customers during the Track Record Period:

For the year ended 31 December 2016

Customer	Major products sold to the customer	Approximate % of Vastec's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2016
Dacheng	Sysmex haemostasis products	7.5%	Our operating subsidiary	Regional distributor of Sysmex' haemostasis products in Shanghai	5
Distributor A	Sysmex haemostasis products	7.3%	Company established in the 1990s, mainly operating in Guangdong	A distributor of IVD products	16

Customer	Major products sold to the customer	Approximate % of Vastec's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2016
Distributor B . . .	Sysmex haemostasis products	4.5%	Company established in the PRC in 2003, mainly operating in Jiangsu	A distributor of medical engineering and mechanical products	10
Yao Lin (姚林) . . .	Sysmex haemostasis products	3.4%	Consists of three companies, i.e. Jinqiao Medical, Beijing Medical and Beijing Sanpin, all of which are under the common control of Yao Lin, with a nationwide operational network	A distributor of IVD products	14
Distributor D	Sysmex haemostasis products	3.2%	Company established in the PRC in 2008, mainly operating in Xinjiang	A distributor of IVD products	4

For the year ended 31 December 2017

Customer	Major products sold to the customer	Approximate % of Vastec's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2017
Distributor A	Sysmex' haemostasis products	6.5%	Company established in the 1990s, mainly operating in Guangdong	A distributor of IVD products	17
Dacheng	Sysmex' haemostasis products	5.9%	Our operating subsidiary	Regional distributor of Sysmex' haemostasis products in Shanghai	6
Distributor B	Sysmex' haemostasis products	4.0%	Company established in the PRC in 2003, mainly operating in Jiangsu	A distributor of medical products	11

Customer	Major products sold to the customer	Approximate % of Vastec's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2017
Yao Lin (姚林) . . .	Sysmex' haemostasis products	3.3%	Consists of three companies, i.e. Jinqiao Medical, Beijing Medical and Beijing Sanpin, all of which are under the common control of Yao Lin, with a nationwide operational network	A distributor of IVD products	15
Distributor E	Sysmex' haemostasis products	3.2%	Company established in the PRC, mainly operating in Guangxi	A distributor of IVD products	1

For the year ended 31 December 2018

Customer	Major products sold to the customer	Approximate % of Vastec's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2018
Dacheng	Sysmex haemostasis products	6.3%	Our operating subsidiary	Regional distributor of Sysmex' haemostasis products in Shanghai	7
Distributor A	Sysmex haemostasis products	6.2%	Company established in the 1990s, mainly operating in Guangdong	A distributor of IVD products	18
Distributor B	Sysmex haemostasis products	4.8%	Company established in the PRC in 2003, mainly operating in Jiangsu	A distributor of medical products	12

Customer	Major products sold to the customer	Approximate % of Vastec's total revenue	Background of the customer	Principal business of the customer	Years of business relationship as at 31 December 2018
Yao Lin (姚林) . . .	Sysmex haemostasis products	3.1%	Consists of three companies, i.e. Jinqiao Medical, Beijing Medical and Beijing Sanpin, all of which are under the common control of Yao Lin, with a nationwide operational network	A distributor of IVD products	16
Distributor G	Sysmex haemostasis products	2.8%	Company established in the PRC, mainly operating in Henan	A distributor of medical equipment and various IVD products	3

To the best knowledge and belief of our Directors after making all reasonable enquires, save and except for Dacheng and Yao Lin (姚林), Vastec's top five customers were all independent third parties during the Track Record Period. Our Directors confirm that none of our Directors, their respective close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital as at the Latest Practicable Date) had any interest, directly or indirectly, in any of Vastec's top five customers during the Track Record Period. Please see the section headed "Connected Transactions" in this prospectus for details.

During the Track Record Period, Vastec did not have any material disputes with its customers or face any major return of defective products.

Overlapping Customers and Suppliers of Vastec

For the year ended 31 December 2016, there were four overlapping customers and suppliers, one of which was among Vastec's top five customers and one were among Vastec's top five suppliers.

For the year ended 31 December 2017, there were five overlapping customers and suppliers, two of which was among Vastec's top five customers and one were among Vastec's top five suppliers.

For the year ended 31 December 2018, there were six overlapping customers and suppliers, two of which was among Vastec's top five customers.

The following table sets out Vastec's total sales revenue and purchases amount from the overlapping customers-suppliers during the Track Record Period:

	For the year ended 31 December		
	2016	2017	2018
Sales to the overlapping customer-supplier			
Sales revenue (tax included) (RMB'000)	48,123	146,421	180,831
As a percentage of our total sales revenue (%) . .	3.5	9.2	9.8
Purchase from the overlapping customer-supplier			
Purchase amount (tax included) (RMB'000)	1,183,323	1,228,624	6,820
As a percentage of our total purchases (%)	94.8	95.3	0.5

Sysmex was one of Vastec's five largest supplier during the Track Record Period and one of Vastec's customers for the years ended 31 December 2016 and 2017. Sysmex mainly supplied Vastec with Sysmex' haemostasis analysers and reagents. Sysmex mainly purchased Sysmex' haemostasis analysers from Vastec. For the years ended 31 December 2016, 2017 and 2018, Vastec's revenue derived from Sysmex amounted to approximately RMB1.1 million, RMB5,555.6 and nil, respectively, representing approximately 0.1%, 0.0% and nil of Vastec's total turnover, respectively. For the years ended 31 December 2016, 2017 and 2018, Vastec's purchase from Sysmex amounted to approximately RMB1,181.2 million, RMB1,221.2 million and RMB1,436.4 million, respectively, representing approximately 94.7%, 94.7% and 94.9% of Vastec's total purchases, for the same period, respectively.

Yao Lin (姚林) was one of Vastec's five largest customers and one of Vastec's suppliers during the Track Record Period. Yao Lin (姚林) mainly purchased Sysmex' haemostasis analysers and reagents from Vastec. Yao Lin (姚林) mainly supplied Vastec with spare parts of reagents of Tecan and other consumables. For the years ended 31 December 2016, 2017 and 2018, Vastec's revenue derived from Yao Lin (姚林) amounted to approximately RMB46.4 million, RMB52.0 million and RMB57.2 million, respectively, representing approximately 3.4%, 3.3% and 3.1% of Vastec's total turnover, respectively. For the years ended 31 December 2016, 2017 and 2018, Vastec's purchase from Yao Lin (姚林) amounted to approximately RMB0.1 million, RMB4.2 million and RMB3.0 million, respectively, representing approximately 0.0%, 0.3% and 0.2% of Vastec's total purchases, for the same period, respectively.

Dacheng was one of the Vastec's five largest customers during the Track Record Period and one of Vastec's suppliers for the years ended 31 December 2017 and 2018. As Dacheng has been acting as the regional distributor of Sysmex' haemostasis products in Shanghai for Vastec, Dacheng purchased various IVD products from Vastec, including mainly Sysmex' haemostasis products. During the Track Record Period, Dacheng also supplied Sysmex' urinalysis products to Vastec. Vastec's revenue derived from Dacheng for the years ended 31 December 2016, 2017 and 2018 amounted to approximately RMB103.8 million, RMB94.0 million and RMB116.6

million, respectively, representing approximately 7.5%, 5.9% and 6.3% of Vastec's total revenue each year. For the years ended 31 December 2016, 2017 and 2018, Vastec's purchase from Dacheng amounted to nil, approximately RMB2.2 million, RMB1.7 million, respectively, representing approximately nil, 0.2% and 0.1% of the Vastec's total purchases, respectively.

MARKETING AND PROMOTION

We will constantly explore new suitable brands or products and introduce them to our customers. We carefully select brands and products with good potential growth in the IVD products market based on market research and the information collected from our daily operation, and we approach relevant IVD manufacturers and initiates negotiation and procurement process when appropriate. Our sales and marketing department will obtain sample products from the suppliers and then present the sample products to the target customers.

We promote brand awareness through various marketing strategies and channels including joint marketing and promotion programmes with the product suppliers and manufacturers, which primarily consist of seminars and workshops. In addition, we organise annual distributors' meeting to build a stronger relationship with our distributors.

PRICING POLICY

We believe it is crucial to maintain a steady supply of quality products at competitive prices for the continuous success of our Group. We adopt different pricing policies in each business segment and details of which are set forth below:

Distribution Business

We determine our selling prices primarily by evaluating the market price. We also take into account our costs, its determination as to a reasonable level of profit and the conditions in the particular market in which the customer is located. In general, we adopt a "cost plus" pricing policy, pursuant to which we set target prices with different profit margins over the IVD products that we sell.

Self-branded Products Business

We set our prices on a cost-plus basis in a similar manner as sales to customers in our distribution business. In determining our selling prices to our customers, we also take into account the regional market prices of competitors and our manufacturing costs.

Our Directors believe that our pricing strategy allows us to pass on part of the increase in purchase and operating costs to our customers. In order to stay profitable and competitive, we regularly monitor the pricing of our competitors as our points of reference and we will continue to determine and adjust the prices of our products in response to the prevailing market trend.

SEASONALITY

Our business and operating results are generally subject to seasonal fluctuations. During the Track Record Period, our sales activities were generally less active shortly before and after the Chinese lunar new year and were generally more active shortly before the end of year mainly due to the spending patterns of our customers.

QUALITY CONTROL

We maintain a highly stringent quality control system and devote significant attention to the quality control for our operation. Our quality control team is also responsible for ensuring that we are in compliance with all relevant regulations, standards and internal policies. Our senior management is actively involved in setting quality policies and managing internal and external quality performance.

Distribution business

We fully comply with all relevant PRC laws and regulations to ensure the quality of our operations. Please see the section headed "Regulatory Overview" in this prospectus for further details. Further, we only use suppliers that have excellent credentials and product quality track records.

When we receive products for distribution, we conduct spot inspections on the packaging, expiry date, serial numbers and certificate of qualification of our products. If such products are qualified, we will store them in our warehouse for distribution. If such products do not pass the examination, we will notify the supplier immediately without storing in our warehouse.

Self-branded products business

We have established quality control systems in accordance with all relevant national or industry guidelines. In addition, we also adhere to our internal quality control guidelines, which vary with different analyser and reagent products. We can replace any OEM manufacturer that fails to pass such inspections with suitable alternatives.

In particular, we implement stringent product quality and confidentiality requirements for our OEM manufacturer and our production line with Suzhou DiagVita as to protect our designs and development effort. In accordance with the applicable laws and regulations, we are liable to our customer for the obligations of our OEM manufacturer. Therefore, we observe the whole production process during onsite visits and conduct inspections and tests on the works of our OEM manufacturer and our production line with Suzhou DiagVita to ensure they comply with the relevant laws and regulations before we place orders with them. During the Track Record Period, we did not encounter any disruptions to our business due to material non-compliance, counterparty default or business interruption by OEM manufacturer and our production line with Suzhou DiagVita who manufactured our products. To the best knowledge of our Directors, there were no incidents of confidentiality breach by such OEM manufacturer and our production line with Suzhou DiagVita during the Track Record Period and up to Latest Practicable Date.

INVENTORY MANAGEMENT AND LOGISTICS

We actively manage and maintain our inventories to ensure cost-efficiency, quality control and timely distribution, sales and manufacturing of our IVD products. Our senior management is actively involved in setting inventory standards, and is continually seeking ways to further improve our inventory control.

Inventory Management

Our operation involves storage and stocking of a wide range of reagents, which are with a limited shelf life. These products are required to be maintained at our cold storage with specific temperature normally within the range from 2°C to 8°C. The average shelf life of our reagents ranges from nine to 24 months. Storage of our IVD analysers only require warehousing of conventional conditions.

We procure products from our suppliers on an ongoing basis to maintain at least four months inventory level to meet our business needs based on our sales projection. Our inventory is managed through an enterprise resources management system. There is a 24-hour monitoring procedure at the main entrance and main public areas of the warehouses.

We will first provide to our suppliers a prediction of our purchase amount four months in advance followed by placing of individual purchase orders with our suppliers specifying the product quantities and delivery terms. It normally takes around two weeks from placing a purchase order with our suppliers to the delivery of products to our warehouse. We need to maintain a sufficient level of inventory to meet our customers' needs based on our sales projection taking into account the historical orders made by our customers, end consumer's demand, market trend and expected promotional plans.

As at 31 December 2016, 2017 and 2018, the balance of inventories of our Original Group amounted to approximately RMB37.2 million, RMB47.8 million and RMB51.4 million, respectively, representing approximately 13.4%, 14.9% and 14.0% of its total current assets for the same period, respectively. The average number of inventory turnover days of our Original Group for the years ended 31 December 2016, 2017 and 2018 are approximately 47 days, 67 days and 61 days, respectively. For the years ended 31 December 2016, 2017 and 2018, our Original Group wrote off inventories of approximately RMB6,000, RMB25,000 and RMB12,000, respectively, as a result of our disposal of products that are unsold, returned or expired. Our Original Group periodically assesses the realisability of inventory and consider that no provision for impairment of inventories was required during the Track Record Period.

Vastec's balance of inventories amounted to approximately RMB422.8 million, RMB473.6 million and RMB525.8 million, respectively, representing approximately 47.5%, 44.3% and 48.5% of its total current assets for the same period, respectively. As a national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC,Vastec has relatively longer inventory turnover days compared to our Original Group primarily due to its stronger inventory needs in order to meet its customers' demands. The average number of inventory turnover days of the Vastec for the years ended 31 December 2016, 2017 and 2018 are approximately 118 days, 132 days and 123 days, respectively. For the years ended 31 December 2016, 2017 and 2018, Vastec wrote off inventories of approximately RMB1.1 million, RMB2.6 million and RMB1.3 million, respectively as a result of its disposal of products that were unsold, returned or expired. Vastec periodically assessed the realisability of inventory and considered that no provision for impairment of inventories was required during the Track Record Period.

Warehousing

Reagents generally require specific adherence to cold chain instructions with very narrow range of temperature. Reagent transport and storage temperatures usually range from 2° to 8°C but can be as low as -15°C to -20°C, depending on the reagent. Hence, it is critical to ensure proper storage facilities, transport procedures, and certain policies are in place to avoid the potential of significant loss of product due to breaks in the cold chain between the procurement agent and the end customer.

As at the Latest Practicable Date, all the products procured from our suppliers were stored at our 3 rented warehouses in Shanghai. The aggregate gross floor area of the warehouses in Shanghai is approximately 11,529 sq.m. with designated cold storage capacity of approximately 7,882 cb.m. for reagents which require optimal temperature storage in the range of 2°C to 8°C.

The table below shows a summary of leased warehouses as at the Latest Practicable Date:

No.	Address	Gross floor area	Approximate area with cold storage capacity	Current rental term
		(sq.m.)	(cb.m.)	
1 . . .	102, 1/F, No. 3408 Xiupu Road, Pudong New Area, Shanghai	687	2,356	10 June 2019 to 9 June 2021
2 . . .	East Unit, 2/F, No. 18 Aona Road, China (Shanghai) Pilot Free Trade Zone, Shanghai	500	–	12 July 2018 to 11 July 2020
3 . . .	1/F and 2/F, Block 3 (No. 2 Production Workshop), No. 79, Xiangjing Road, Chedun Town, Songjiang District, Shanghai	10,342	5,526	1 January 2018 to 31 December 2020

Logistics

For the delivery of products to customers of our Original Group, these customers generally have specific delivery destinations for their purchase orders. The logistics team of our Original Group or logistics companies, including cold chain storage logistics services providers, coordinate and arrange transportation for the delivery of products to ensure that the products reach these customers in a timely manner. During the Track Record Period, our Original Group incurred approximately RMB0.3 million, RMB0.6 million and RMB0.8 million in transportation and logistics service expenses, respectively.

During the Track Record Period, Vastec engaged independent third party professional logistics company to handle its nationwide logistics arrangement. During the Track Record Period, it engaged six, eight and eight logistics companies, respectively. For the years ended 31 December 2016, 2017 and 2018, Vastec incurred approximately RMB6.2 million, RMB10.4 million and RMB16.7 million for transportation and logistics service expenses, respectively.

RETURN POLICY

To ensure that our customers are satisfied with our services, we accept returns for, or exchange of, defective products. Also, if the products are found to be having quality problems or the packaging of the products are broken or the serial numbers of the products do not match with those specified in the delivery notices, we would be responsible, for a product recall from all customers and we would need to incur the relevant recall charges. If the quality problem is caused by our suppliers, we may be reimbursed by these suppliers for all the recall charges incurred. Other than the above, we generally do not allow product returns or refunds.

During the Track Record Period, the amount of goods returned from our Original Group's customers were approximately RMB110,181.8, RMB189,139.9 and RMB1.0 million, respectively, and the amount of goods returned from Vastec's distributors were RMB669,401.7, RMB292,193.2 and RMB67,961.2, respectively. Our Directors confirm that, during the Track Record Period, our Group did not receive any material complaint from our customers which had materially or adversely affected our business.

WARRANTY POLICY

Our Original Group generally provides a one year product warranty to our customers in relation to repairs for any quality defects of our IVD analysers. For the years ended 31 December 2016, 2017 and 2018, our Original Group incurred warranty expenses up to approximately RMB1.5 million, RMB0.6 million and RMB1.0 million, representing approximately 0.5%, 0.2% and 0.2% of the revenue of our Original Group for the same period, respectively.

Vastec generally provides product warranty in the form of maintenance services to end customers of Sysmex' IVD analysers only if such end customers also purchase the Sysmex' IVD reagents from Vastec in conjunction. In return, Sysmex shall pay Vastec for the costs of the maintenance services and repairs performed. This forms a part of Vastec's revenue generated from its maintenance services segment since April 2017.

INSURANCE

Our insurance packages cover liabilities and losses for directors and officers, goods transportation, properties, vehicles, warehouses and any statutory employee compensation. We review our insurance policies from time to time in order to adequately address the breadth of coverage. Our Directors consider the insurance coverage of our Group to be customary for businesses of our size and type and false in line with the standard commercial practices in Hong Kong and the PRC.

As at the Latest Practicable Date, we had not made nor had been the subject of any material insurance claims. However, our business operation is susceptible to potential losses caused by a wide range of business disruptions and we may not be fully indemnified for our losses under our current insurance coverage. Please see the section headed "Risk Factors – We may not have sufficient insurance coverage to cover the risks relating to our operations" for details.

HEALTH AND WORK SAFETY

We are committed to provide a safe working environment for our employees. We have implemented work safety guidelines for all our staff which set out our work safety policies and promote safety on work sites. We have adopted internal training programmes and a workplace health and safety procedural manual, through which we educate our employees of the importance of the correct practices for health and safety in the workplace. During the Track Record Period, there were no material injuries recorded.

ENVIRONMENTAL PROTECTION

Due to the nature of our business, our operational activities do not directly generate industrial pollutants, and thus we did not incur any costs for the compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that we will not incur significant costs for the compliance with applicable environmental protection rules and regulations in the future. We were not subject to any material claims or penalty in relation to environmental protection during the Track Record Period. During the Track Record Period, we were in compliance with the applicable environmental protection laws and regulations in all material aspects. For further details, please see the section headed "Regulatory Overview" in this prospectus.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had 20 registered trademarks and ten registered patents in the PRC. Please refer to the section headed "Statutory and General Information – Further information about the business of our Company – 10. Intellectual property rights of our Group" in Appendix V to this prospectus for details of our registered intellectual property rights.

As at the Latest Practicable Date, we were not involved in any proceedings with regard to, and we have not received notice of any claims of, infringement of any intellectual property rights that may be threatened or pending in which we may be involved either as a claimant or respondent.

LEASED PROPERTIES

As at the Latest Practicable Date, we leased 40 properties in the PRC and leased one property in HK with an aggregate gross floor area of approximately 20,821 sq.m. Save for certain office premises that we leased from Mr. Lin, Mr. Ho and Mr. Leung, our connected persons, all the other landlords of our leased properties are independent third parties. For details of our connected leases, please see the section headed "Connected Transactions – Non-exempt continuing connected transactions – Rental of premises from the founding group" in this prospectus. As at the Latest Practicable Date, 18 out of the 41 leases will expire within the 12 months following the Latest Practicable Date.

We plan to renew our leases or negotiate new lease terms when the existing leases expire. We did not experience any material difficulties in negotiating a renewal of our leases with our landlords during the Track Record Period.

The table below sets forth a breakdown of our leased properties by usage as at the Latest Practicable Date:

Usage	Number of leased properties	Approximate gross floor area
		(sq. meter)
Warehouse	3	11,529
Office	32	5,270
Research and production	2	3,237
Dormitory	4	785
Total	41	20,821

EMPLOYEES

As at the Latest Practicable Date, we had a total of 572 full-time and part-time employees in the PRC and Hong Kong. The table below sets forth a breakdown of the number of the our full-time and part-time employees by functional role as at the Latest Practicable Date:

Function	Number of employees
Marketing and technical	191
Engineering	132
Management, logistics and finance	127
Sales	101
Manufacturing, research and development and quality control	21
Total	572

We believe that these employees of our Group play a significant role in the success of our distribution and self-branded products business. In order to retain quality employees, we offer competitive remuneration, benefits and a clear path of career advancement.

Training

We provide introductory orientation programmes to our newly recruited employees on topics such as attendance management, annual leave management and travel booking management. In addition, our employees will receive training on topics such as production safety, quality control, reagents knowledge and medical device business operation guidelines and regulations, that are organised either by us or by third parties such as the NMPA and various medical device manufacturers.

Recruitment

We generally recruit our employees from the open market. We may also engage employment agents to recruit employees. Newly recruited employees are required to undergo a probation period after which they will become our full-time employees if we are satisfied with their performance during the probation period. We will bear the social insurance, housing funds or similar employee benefits in the PRC.

During the Track Record Period, our Group did not experience any significant difficulties in recruiting employees, and did not experience any significant staff or labour disputes.

LICENCES, CERTIFICATES AND REGISTRATIONS

Our Directors confirm that we have obtained all necessary licences and permits for our business operations in the PRC, thus being in compliance with relevant laws and regulations as at the Latest Practicable Date. Our Directors confirm that our Group has not experienced any material difficulties in obtaining and/or renewing such licences and permits. Further, our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences and permits upon their expiration. Therefore, our Directors do not foresee any major difficulties in compliance with such licencing requirements that would cause material or adverse impacts on our Group's operations and business.

Distribution business

The table below sets forth the details of the major licences, certificates and registration obtained by our Group in relation to our engagement in the distribution business as at the Latest Practicable Date:

Licence, certificate or registration	Issuing body	Company name	Date of grant	Expiry date
Medical Device Business License	Shanghai Pudong New Area Market Supervision Bureau	Dacheng	6 January 2016	5 January 2021
Registration Certificate for Class II Medical Devices Operation	Shanghai Pudong New Area Market Supervision Bureau	Dacheng	16 December 2015	N/A
Medical Device Business License	Shanghai Pudong New Area Market Supervision Bureau	Vastec (Shanghai)	28 July 2018	21 September 2020
Registration Certificate for Class II Medical Devices Operation	Shanghai Pudong New Area Market Supervision Bureau	Vastec (Shanghai)	13 August 2018	N/A
Medical Device Business Licence	Shanghai Yangpu District Market Supervision Bureau	Digital China	20 May 2015	21 June 2020
Registration Certificate for Class II Medical Devices Operation	Shanghai Yangpu District Market Supervision Bureau	Digital China	25 March 2015	N/A

Self-branded Products Business

The table below sets forth the details of our major licences, certificates and registration obtained in relation to our engagement in relation to our self-branded products business as at the Latest Practicable Date:

Licence, certificate or registration	Issuing body	Company name	Date of grant	Expiry date
Registration Certificate for Class II Medical Devices Operation	Shanghai Pudong New Area Market Supervision Bureau	IVD (Shanghai)	20 January 2016	N/A
Medical Device Production Licence	Hunan Food and Drug Administration	Hunan Ankai Jiade(1)	19 February 2019	17 May 2022
Registration Certificate for Medical Device	Hunan Food and Drug Administration	Hunan Ankai Jiade(1)	20 February 2017	19 February 2022
Registration Certificate for Medical Device (IVD Reagents)	Hunan Food and Drug Administration	Hunan Ankai Jiade(1)	20 February 2017	19 February 2022
Medical Device Production License	Jiangsu Food and Drug Administration	Suzhou DiagVita	30 November 2016	29 November 2021
Registration Certificate for Class II Medical Devices Operation	Suzhou Food and Drug Administration	Suzhou DiagVita	6 April 2017	N/A
Registration Certificate for Medical Device (IVD Reagents)	Jiangsu Food and Drug Administration	Suzhou DiagVita	18 April 2018	17 April 2023

Note:

(1) Hunan Ankai Jiade is formerly known as Hunan Brahms Biotech Co., Ltd.

Licence, certificate or registration	Issuing body	Company name	Date of grant	Expiry date
Registration Certificate for Medical Device (IVD Reagents)	Jiangsu Food and Drug Administration	Suzhou DiagVita	21 December 2016	20 December 2021
Registration Certificate for Medical Device (IVD Reagents)	Jiangsu Food and Drug Administration	Suzhou DiagVita	21 December 2016	20 December 2021
Registration Certificate for Medical Device (IVD Reagents)	Jiangsu Food and Drug Administration	Suzhou DiagVita	21 December 2016	20 December 2021
Registration Certificate for Medical Device (IVD Reagents)	Jiangsu Food and Drug Administration	Suzhou DiagVita	21 December 2016	20 December 2021
Registration Certificate for Medical Device (IVD Reagents)	Jiangsu Food and Drug Administration	Suzhou DiagVita	6 June 2017	5 June 2022
Registration Certificate for Medical Device (IVD Reagents)	Jiangsu Food and Drug Administration	Suzhou DiagVita	6 June 2017	5 June 2022
Registration Certificate for Medical Device (IVD Reagents)	Jiangsu Food and Drug Administration	Suzhou DiagVita	24 November 2014	23 November 2019

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

We are subject to the laws, regulations and supervision of the regulatory authorities in the PRC and are required to maintain certain licenses, permits and approvals in order to operate our business. A summary of the relevant PRC laws and regulations which our business operations are subject to is set out in the section headed "Regulatory Overview" in this prospectus.

Our PRC Legal Adviser has confirmed that we have obtained all necessary licenses, permits and approvals for our business operations in the PRC, and such licences, permits and approvals are valid and remain to be in effect as at the Latest Practicable Date.

Set out below are our material non-compliance incidents during the Track Record Period:

Nature of the non-compliance incident	Reason for the non-compliance incident	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions and internal control measures to prevent recurrence in the future
1. Social insurance and housing provident fund			
Dacheng (Shanghai) failed to register the correct payment base with the relevant social insurance and housing provident fund authorities and make adequate contributions for all of its employees as required under the Social Insurance Law of China and the Housing Fund Regulation.	The non-compliance incident was mainly due to the inadvertent oversight of the regulatory requirements under the Social Insurance Law of China and the Housing Fund Regulation by the responsible staff at the relevant time.	In the event that the relevant authority finds our Group to be in breach of the Social Insurance Law of China for failure to make adequate social insurance contributions calculated with reference to the correct payment base, the relevant authority may (i) demand us to make the shortfall social insurance contributions within a prescribed time limit, and (ii) impose a daily overdue charge of 0.05% on the unpaid amount, calculated from the date on which the contributions should have been made. An additional fine equivalent to one to three times of the shortfall social insurance contributions may be further imposed if the shortfall is not made within the prescribed time limit. In the event that the relevant authority finds our Group to be in breach of the Housing Fund Regulation for failure to make adequate housing provident fund contributions calculated with reference to the correct payment base, the relevant authority may demand us to make the shortfall housing fund contributions within a prescribed time limit. In the event that such contributions are not made within the prescribed time limit, the relevant authority may apply to court for enforcement.	Based on the confirmation with respect to social insurance contributions issued by the Shanghai Municipal Social Insurance Administration Center* (上海市社會保險事業管理中心) on 8 November 2018 and 24 April 2019, the Shanghai Municipal Social Insurance Administration Center confirmed that from March 2011 to March 2019 there was no record of any shortfall in any social insurance contributions for Dacheng (Shanghai). As advised by our PRC Legal Adviser, the Shanghai Municipal Social Insurance Administration Center is the competent authority to issue such a confirmation letter. As advised by our PRC Legal Adviser, while the risk of a fine equivalent to one to three times of the unpaid social insurance contributions being imposed on Dacheng (Shanghai) by the competent authority as a result of such non-compliance is remote, Dacheng (Shanghai) may still be ordered to pay for the shortfall social insurance contributions within a prescribed time limit, together with a daily overdue charge of 0.05% on the unpaid amount, calculated from the date on which the contributions should have been made. In addition, based on the confirmation with respect to housing provident fund contributions issued by the Shanghai Municipal Housing Provident Fund Administration* (上海市公積金管理中心) issued on 30 September 2018 and 30 April 2019, Dacheng (Shanghai) has set up a housing provident fund account in April 2011, and as at March 2019 there was no record of any shortfall in any housing provident fund contributions. As advised by our PRC Legal Adviser, the Shanghai Municipal Housing Provident Fund Administration is the competent authority to issue such a confirmation letter. Our Directors confirm that, as at the Latest Practicable Date, Dacheng (Shanghai) did not receive any notice from the local authorities or any claim regarding our non-compliance in relation to social insurance and housing provident fund contributions. Our Directors further confirmed that, in the event that Dacheng (Shanghai) is ordered by the competent authority to make the shortfall social insurance contributions within a prescribed time limit, Dacheng (Shanghai) will comply with the requirement by making full social insurance contributions for the relevant employees within the prescribed time limit. Based on the above, our Directors are of the view that no provision is necessary in respect of the social insurance and housing provident fund contributions. Upon becoming aware of the above non-compliance incident, we have strengthened our internal control to prevent the recurrence of such non-compliance incident by cross-checking the calculations of social insurance and housing provident funds contributions before making payment. Furthermore, we will register the correct payment base with the relevant social insurance and housing provident fund authorities in 2019 once such registration becomes available. As at the Latest Practicable Date, the registration has not become available yet.

Nature of the non-compliance incident	Reason for the non-compliance incident	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions and internal control measures to prevent recurrence in the future
2. Failure to register lease agreements with relevant PRC authorities			
Vastec (Shanghai) leased 33 properties in China for office and/or warehouse use during the Track Record Period. Vastec (Shanghai) failed to register lease agreements for 30 of these properties with the competent authorities. Suzhou Diagvita leased one property in China for research, office and production use during the Track Record Period. Suzhou Diagvita failed to register such lease agreement with the competent authority.	The non-compliance incident was primarily because the relevant landlords did not cooperate in filing the lease agreements and other relevant documents.	Pursuant to the Measures for Administration of Lease of Commodity Properties (商品房屋租賃管理辦法), registration of leases is required, and a fine will be imposed on the parties to a lease agreement for failure to register a lease (a range of RMB1,000 to RMB10,000 for entities and not more than RMB1,000 for individuals). Should such fine be imposed, the maximum penalty that we could be required to pay would be approximately RMB310,000 (approximately HK$353,594). As advised by our PRC Legal Adviser, the mere failure to register the lease agreements with the competent authorities by itself will not result in: (i) the agreements being deemed to be invalid or non-binding; or (ii) our being required to vacate the leased properties.	As at the Latest Practicable Date, we did not receive any rectification order, nor have we been subject to any fine or penalty in respect of the failure to register lease agreements. In view of our PRC Legal Adviser's advice, our Directors consider that such non-compliance, individually or in aggregate, would not have a material adverse effect on our Group. Accordingly, no provision was made in this regard. We have been taking proactive steps to liaise with the landlords regarding registration of the lease agreements. In the event that we are required by competent authorities to rectify the non-compliance but are unable to rectify due to failure of cooperation by the landlords, we will consider terminating the non-compliant leases, finding alternative locations nearby and relocating without causing any material disturbances to our usual business operations.

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our risk management system, which are designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. To manage our external and internal risks, and to ensure the smooth operation of our business, we have engaged an internal control adviser in May 2018 to assist our Group to review and provide recommendations on improving our internal control system and we have thus improved our internal control system in accordance with the recommendation of such review.

Anti-Corruption Measures

As part of our risk management and internal control system, we have formally established a set of internal policies in relation to bribery and corruption and fraudulent activities, which strictly prohibit paying or receiving bribes and kickbacks in commercial transactions. The following measures have been implemented in order to prevent such illegal practices:

- we have formally adopted an employee handbook to standardise our employees' code of conduct which strictly forbids paying or receiving bribes. Upon signing the employment contracts, our employees agreed to abide by the terms and conditions of the employee handbook. We also have in place an employee code of ethics to prohibit illegal practices such as bribery and corruption and fraudulent activities. Our employees have signed anti-bribery and corruption agreement to undertake not to participate in such illegal practices. Employees who violate any of the terms of the employee handbook, employee code of ethics or anti-bribery and corruption agreement are subject to penalties, including termination of employment;

- we have implemented a policy on reporting on conflict of interest setting out the procedures to manage transactions or events involving any conflict of interest of employees; and

- we have in place an anti-fraud management policy setting out the responsibility of the Board of Directors and audit committee to cultivate an anti-fraud culture within our Group which includes the procedures for the reporting, receiving information relating to and investigation of fraud cases, setting out responsibilities and penalties for fraud, and established channels for reporting fraud cases.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, they have not engaged in, and have not been aware of, any bribery, corruption or fraudulent practice by our Directors, employees and distributors. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, as far as they are aware, our Group has not been subject to any anti-corruption claims or investigations by the relevant authorities. As such, our Directors consider that our anti-corruption policies and procedures and relevant internal control measures have been sufficient and effective to ensure our compliance with the relevant anti-corruption laws and regulations as well as to prevent the occurrence of bribery, corruption or fraudulent practice by our Directors and employees.

Risk Management Measures

We have established the following measures and structures to manage our risks:

(1) our Board carries out a thorough examination of material risks associated with any material business decision before approving such decision;

(2) our Directors and senior management keep track of the day-to-day operations and monitor any associated operational risks of our Group. They are responsible for evaluating potential market risks related to fluctuations in industrial environment and market variables, identifying irregularities in connection with operational, credit and market risks, and formulating policies and resolutions to mitigate or resolve these risks. For details of the qualification and experience of our Directors and senior management, please see the section headed "Directors and Senior Management" in this prospectus;

(3) our audit committee reviews the internal control system and procedures for the compliance with the requirements prescribed by the applicable laws, rules and regulations;

(4) as part of the preparation for Listing, our Directors have received training on their responsibilities as directors of a Hong Kong listed company, including their fiduciary duties to act in the best interest of our Group. We will also continue to arrange various trainings to be provided by Hong Kong legal advisers for our Directors, senior management and employees on the Listing Rules, including but not limited to aspects related to corporate governance and connected transactions;

(5) we have appointed Ballas Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules upon Listing; and

(6) we provide training to our employees in order to enhance their industry knowledge and to encourage an all-embracing culture of risk management ensuring that all employees are aware of and responsible for managing risks.

In addition to the engagement of an internal control adviser as mentioned above, we will appoint external legal advisers after the Listing to advise us on compliance with, and to provide us with updates on the changes in, the Listing Rules and the applicable Hong Kong laws, rules and regulations from time to time and as required. With the assistance of our external Hong Kong legal advisers, the compliance adviser and company secretary, it is our aim to maintain on-going and effective internal control system, risk management and corporate governance measures upon and after Listing, as well as to ensure that our Group's operations are in compliance with the applicable laws, rules and regulations in Hong Kong.

Our Directors confirm that no material failures occurred and we believe that our internal control and risk management system were sufficient and effective during the Track Record Period. There are various other risks relating to our business and operations and market risks in the ordinary course of our business. For further details, please see the sections headed "Risk Factors", "Financial Information of our Original Group – Key factors affecting our results of operations" and "Financial Information of Vastec – Factors affecting Vastec's results of operations" in this prospectus.

MARKET AND COMPETITION

Competitive Landscape

In the PRC, the sales of IVD products can be categorised into two models: direct sales and distributors. In general, the majority of sales are completed through distribution and thus distributors of IVD products play an important role in the IVD value chain. In spite of that direct sales model has better customer loyalty and brand image maintenance, IVD companies seldomly adopt the direct sales model due to the complex market access in the PRC.

Our Original Group is operating its distribution business of IVD products in China with a focus on the distribution business in Shanghai where the IVD market is competitive and fragmented. In 2018, the top five market players, in aggregate, accounted for approximately 74.4% of the Shanghai IVD market. According to Frost & Sullivan, our Original Group is the third largest distributor in Shanghai, accounting for a market share of approximately 9.9% with a revenue of approximately RMB402.7 million derived from the sales of IVD products in 2018. Vastec, a subsidiary that we recently acquired in January 2019, is one of the leading tier 1 distributors of IVD products in the PRC. Vastec was the fourth largest tier 1 distributor with a market share of approximately 2.4% among all tier 1 distributors in the PRC in 2018. The PRC IVD market is competitive and fragmented.

Restraints of IVD market in China

- ***The price cap set by the PRC government***

The PRC government sets price caps on hospitals to reduce residents' expenditure on healthcare services. For advanced IVD technologies, huge initial investments in research and development usually lead to high costs of the end IVD products. Price caps create price cuttingpressure for hospitals, as such, hospitals are reluctant to bring in new technologies as little or no profit margin could be generated. Instead, hospitals generally prefer lower-cost IVD substitutes despite of their poor performance. Such price pressure also reduces the profit margin for manufacturers of IVD products, which may hinder the development of IVD industry in China.

- ***The reimbursement rates of IVD products***

The Ministry of Human Resources and Social Security issued a national guidance setting out that provincial governments, may at their discretion, partially reimburse hospitals for certain medical diagnostics and treatment items, including IVD products and services. As a result, the reimbursement rates for different medical products are determined by each provincial government which increases the difficulty of promoting products across the nation in practice. Consequently, the growth of the PRC IVD industry might be thus undermined.

- ***High initial investment***

Capital support is crucial for conducting IVD business in the PRC. During the pre-launch stage of IVD products, especially for IVD products with cutting-edge technologies, a large sum of capital contribution is usually required for research and development as well as various and lengthy clinical trials. As the registration process for new products is complicated in the PRC and it often takes years, capital support will continue to play an important role. Overall, the lengthy exploitation cycle of a new IVD product and the high initial investment may restrict the development of the IVD industry in the PRC.

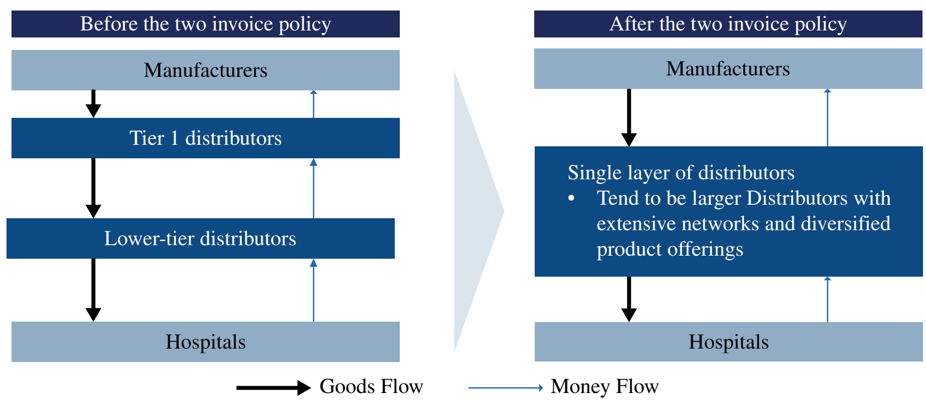
TWO INVOICE SYSTEM

Introduction

As one of the measures for the PRC healthcare system reform, the State Council together with seven other central government departments (including the NHFPC and the State Administration of Food and Drug) jointly issued the Opinions on Implementation of Two Invoice System in Drug Procurement among Public Medical Institutions (for Trial Implementation) (the "**Implementation Opinions**") on 26 December 2016. On 24 January 2017, the State Council issued Several Opinions on Further Reform and Improvement of Drug Production, Circulation and Use Policies (the "**Opinions**"). Pursuant to the Implementation Opinions and Opinions, public medical institutions are required to implement the "two invoice system" for drug procurements gradually and encourage other medical institutions to promote the same with an aim to promote the "two invoice system" across the nation by 2018. NHFPC together with five other central government departments jointly issued the Circular on Consolidating the Achievements of Eliminating Compensational Drug Sales and Continuously Deepening the Comprehensive Reform of Public Hospitals (the "**Circular**") on 5 March 2018. In accordance with the Circular, high-value medical consumables are required to implement the classified and centralised purchasing policy, and gradually implement the "two invoice system" for the purchase and sale of high-value medical consumables. Please refer to the section headed "Regulatory Overview – The two invoice system" in this prospectus for more details on the implementation of the "two invoice system" in the PRC.

Potential impact of the "two invoice system" in the PRC

The aim of the "two invoice system" is to only allow a maximum of two invoices to be issued in the value chain with the first invoice to be issued by manufacturers to distributors and the second one to be issued by distributors to hospitals and healthcare institutions. Set out below is the comparison of distribution chain of medical devices and medical consumables before and after the implementation of the "two invoice system" on the assumption that the "two invoice system" will be applied to medical devices and medical consumables in the future:



Potential impact of the "two invoice system" on IVD product industry

As at the Latest Practicable Date, most of the authorities in regions where we distribute our IVD products have not applied the "two invoice system" to the IVD product industry. Only Shaanxi Province (陝西省), Fujian Province (福建省), Qinghai Province (青海省), Liaoning Province (遼寧省), Heilongjiang Province (黑龍江省), Tibet Autonomous Region (西藏自治區), two cities in Shanxi Province (山西省) and one city in Jiangsu Province (江蘇省) have promulgated the relevant rules and regulations to implement the "two invoice system" to the IVD product industry, including the IVD products we distribute. The above mentioned provinces are collectively known as "**Applicable Provinces**". In other regions where the "two invoice system" have yet to be applied or implemented to the IVD product industry, it is uncertain whether and to what extent our business operation will be affected by the "two invoice system". During the Track Record Period, our Original Group's revenue generated from the Applicable Provinces were approximately RMB4.6 million, RMB9.0 million and RMB13.7 million, respectively, representing approximately 1.6%, 2.7% and 3.4% of the total revenue of our Original Group for the same periods. During the Track Record Period, Vastec's revenue generated from the Applicable Provinces were approximately RMB265.5 million, RMB316.6 million and RMB346.6 million, respectively, representing approximately 19.2%, 19.8% and 18.7% of the total revenue of Vastec for the same periods. The following analysis on the potential impact of the "two invoice system" on our business operation is based on the assumption that other regions will also adopt similar practice as the Applicable Provinces when applying the "two invoice system" to medical devices and medical consumables.

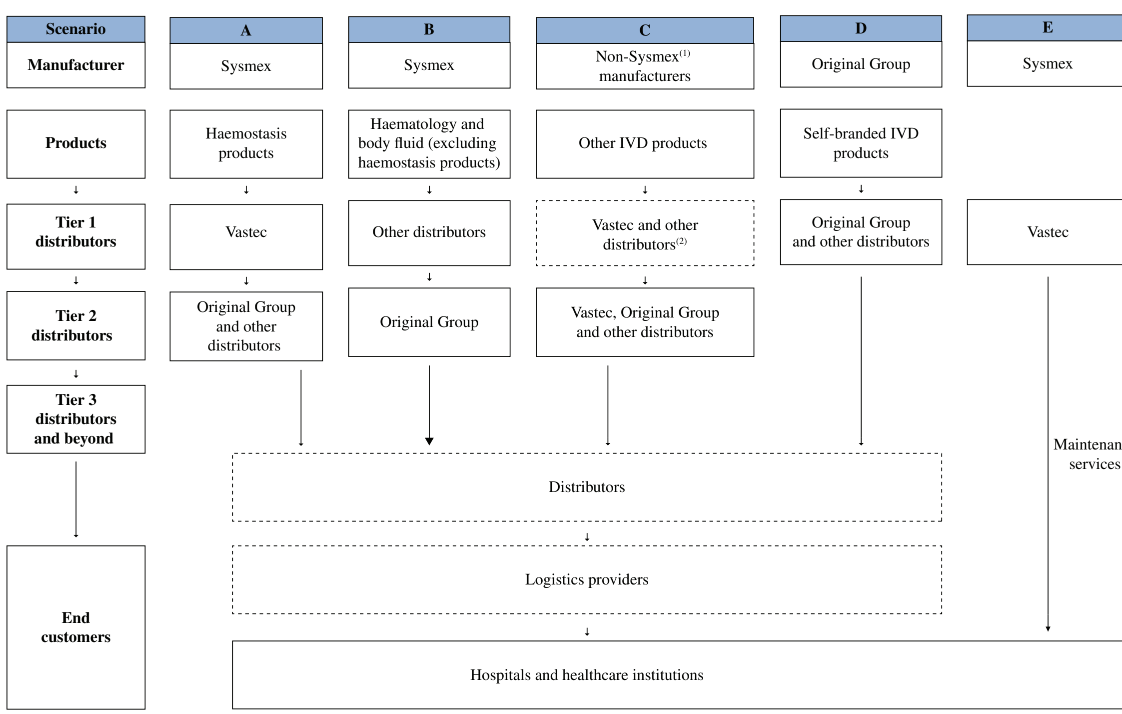
Pursuant to the Implementation Opinions, the following two types of entities may be deemed as manufacturers:

(i) a wholly-owned or controlled commercial company that is established by a drug enterprise or a group enterprise integrating science, manufacture and trading business and that sells only the drugs produced by such enterprise (group) (limited to one commercial company across the country); or

(ii) a national tier 1 distributor of foreign drugs with exclusive distribution rights (limited to one national tier 1 distributor across the country).

Potential impact of the "two invoice system" on our business operation

Except for our self-branded products and our provision of maintenance services, we source IVD products either directly from manufacturers or from general distributors of international manufacturers. To illustrate the potential impact of the "two invoice system", set out below is five different scenarios of our current business operation:



Notes:

1. Under Scenario C, Vastec and our Original group also purchased a small amount of Sysmex' IVD products (excluding haematology and body fluid products) directly from Sysmex or from other tier 1 distributors.

2. Under Scenario C, Vastec and other distributors as tier 1 distributors are granted distribution right by various non-Sysmex manufacturers to distribute their products within designated areas.

The potential impact of the "two invoice system" on our Original Group, Vastec and our Group after the Acquisition under each of the above scenarios is further discussed below:

Scenario A

During the Track Record Period and up to the Latest Practicable Date, the majority of our haemostasis products were Sysmex' products. During the Track Record Period, our Original Group's sales of Sysmex' haemostasis products were approximately RMB105.8 million, RMB135.6 million and RMB156.2 million, respectively, representing 37.4%, 42.5% and 38.2% of the total revenue of our Original Group's distribution business and approximately 36.4%, 40.0% and 37.8% of our Original Group's total revenue for the same periods, respectively. Vastec's sales of Sysmex' haemostasis products were approximately RMB1,281.9 million, RMB1,442.9 million and RMB1,632.6 million for the same periods, respectively, representing 92.8%, 94.4% and 94.4% of the total revenue of Vastec's distribution business and approximately 92.8%, 90.4% and 88.1% of Vastec's total revenue for the same periods, respectively.

According to the distribution agreement entered into between Vastec (Shanghai) and Sysmex Applied Medical Electronics Co. Ltd.*, Vastec (Shanghai) has been appointed as Sysmex Applied Medical Electronics Co. Ltd.*'s national distributor to distribute haemostasis products including analysers, reagents and other consumables in the PRC. Based on the confirmation provided by Sysmex Applied Medical Electronics Co. Ltd.*, Vastec (Shanghai) has been the national distributor of Sysmex Applied Medical Electronics Co. Ltd.*'s haemostasis products with exclusive distribution rights in the PRC and there is only one national distributor in the PRC since 1997. Our PRC Legal Adviser is of the view that Vastec (Shanghai) is likely to be deemed as a manufacturer and the invoice from Sysmex Applied Medical Electronics Co. Ltd.* to Vastec (Shanghai) would not be counted as the first invoice.

During the Track Record Period, Dacheng purchased all of its Sysmex' haemostasis products from Vastec (Shanghai) and the purchase from Vastec (Shanghai) represented 41.6%, 37.0% and 36.9% of our Original Group's total purchase, respectively. As Vastec (Shanghai) and Dacheng are now in the same group after the Acquisition, our PRC Legal Adviser is of the view that the distribution and sales from Vastec (Shanghai) to Dacheng will not be counted as one invoice.

Based on the above, in the event that the "two invoice system" applies in Shanghai or other regions across the PRC, sales of Sysmex' haemostasis products by Vastec or Dacheng will be counted as the first invoice. In that case, each of Vastec and Dacheng may continue to sell to their lower-tier distributors or logistics providers or directly to hospitals and healthcare institutions and our Directors are of the view that our business operation under this scenario will unlikely to be materially and adversely affected.

Scenario B

In contrast to the distribution arrangement of Sysmex' haemostasis products, as far as we are aware, Sysmex has appointed various tier 1 distributors for the distribution of its haematology and body fluid (excluding haemostasis) products in the PRC. All the Sysmex' haematology and body fluid (excluding haemostasis) products our Original Group and Vastec currently distributes are either procured from these tier 1 distributors or directly from Sysmex. During the Track Record Period, our Original Group's sales of Sysmex' haematology and body fluid (excluding haemostasis) products were approximately RMB22.7 million, RMB38.6 million and RMB62.8 million, respectively, representing approximately 8.0%, 12.1% and 15.4% of the total revenue of our Original Group's distribution business for the same periods and approximately 7.8%, 11.4% and 15.2% of our Original Group's total revenue for the same periods, respectively.

During the Track Record Period, Vastec's sales of Sysmex' haematology and body fluid (excluding haemostasis) products were RMB39,586, RMB29,823 and approximately RMB2.0 million, respectively, representing approximately 0.0%, 0.0% and 0.1% of the total revenue of Vastec's distribution business for the same periods and approximately 0.0%, 0.0% and 0.1% of Vastec's total revenue for the same periods, respectively.

Under this scenario, sales from Sysmex to the tier 1 distributors are likely to be counted as the first invoice, and sales from such tier 1 distributors to our Original Group will likely be counted as the second invoice. Therefore, in the event that the "two invoice system" applies in Shanghai or other regions across the PRC, our sales of Sysmex' haematology and body fluid (excluding haemostasis) products will likely to be counted as the third invoice which is not permitted under the "two invoice system", and we may have to discontinue such sales.

Scenario C

For the other non-Sysmex IVD products, based on our current business operation, Vastec is a tier 1 distributor of IVD products of other brands such as Tecan and Alifax and it also purchases IVD products of other brands from other tier 1 distributors. In addition, Vastec also purchased a small amount of Sysmex' other IVD products (excluding haematology and body fluid products) directly from Sysmex or from tier 1 distributors. During the Track Record Period, Vastec's sales of IVD products (excluding Sysmex' haematology and body fluid products discussed in Scenario A and B) were approximately RMB98.9 million, RMB85.1 million and RMB94.9 million, respectively, representing approximately 7.2%, 5.6% and 5.5% of the total revenue of Vastec's distribution business and approximately 7.2%, 5.3% and 5.1% of the total revenue of Vastec for the same periods, respectively. Under this Scenario, as Vastec is not an exclusive national distributor in the event that the "two invoice system" applies in the areas where Vastec distributes our products to, sales from the relevant manufacturers to Vastec will likely be counted as the first invoice. In addition, sales from relevant tier 1 distributors to Vastec will be counted as one invoice as well. As a result, sales from Vastec to lower-tier distributors and/or logistics providers will likely be counted as at least the second invoice and any sales from lower-tier distributors to the hospitals and healthcare institutions will likely be counted as at least the third invoice.

During the Track Record Period, our Original Group also procured non-Sysmex IVD products from other tier 1 distributors and then onsell to other lower-tier distributors or hospitals and healthcare institutions in the PRC. In addition, our Original Group also purchased other Sysmex' IVD products (excluding the Sysmex' haematology and body fluid products as discussed in Scenario A and B). During the Track Record Period, our Original Group's sales of IVD products (excluding Sysmex' haematology and body fluid products and self-branded products) were approximately RMB154.6 million, RMB145.2 million and RMB189.4 million, respectively, representing approximately 54.6%, 45.4% and 46.4% of the total revenue of our Original Group distribution business and approximately 53.2%, 42.9% and 45.8% of our Original Group's total revenue for the same period, respectively. In the event that the "two invoice system" applies, our Original Group's procurement from other tier 1 distributors will likely be counted as at least the second invoice, and any sales from our Original Group to lower-tier distributors or logistics providers or hospitals and healthcare institutions will likely be counted as at least the third invoice.

As such, in the event that the "two invoice system" applies in the areas to where our Original Group and Vastec distribute IVD products (excluding Sysmex' haematology and body fluid products as discussed in Scenario A and B) we may have to discontinue such sales under this scenario.

Scenario D

For the self-branded IVD products, our Original Group is the manufacturer of the respective IVD products and hence the implementation of the "two invoice system" will not have any material and adverse impact on our self-branded business. During the Track Record Period, sales of our self-branded IVD products were approximately RMB7.3 million, RMB18.9 million and RMB5.2 million, representing approximately 2.5%, 5.6% and 1.3% of our Original Group's total revenue for the same periods, respectively.

Scenario E

During the Track Record Period, Vastec had been providing maintenance services to the end customers of Sysmex' IVD analysers, which contributed revenue of nil, approximately RMB67.6 million and RMB123.1 million, which represented nil, approximately 4.2% and 6.6% of Vastec's total revenue for the same periods, respectively. Due to the nature of the maintenance services provided by Vastec to its end customers (i.e. the repairing IVD analysers as opposed to the distribution of pharmaceutical goods), this business segment will not be affected by the implementation of the "two invoice system" in the future as it does not fall within the distribution of IVD products industry.

Conclusion

Considering the above analysis, our Directors are of the view that, should the "two invoice system" be nationally implemented in full effect, only scenarios B and C will be affected by such implementation. Based on the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" as set out in Appendix IIIB to this prospectus, our Original Group and Vastec's aggregate revenue generated under Scenario B and Scenario C (without taking into consideration of any intercompany eliminations) accounted for approximately 16.3% of the total revenue of the enlarged group (after elimination of intercompany results) for the year ended 31 December 2018. In the event that the "two invoice system" is fully implemented, the enlarged group's profit going forward may be adversely affected.

Measures to mitigate the adverse impacts from the implementation of the "two invoice system"

As at the Latest Practicable Date, most of the regions to which we distributed our IVD products have not applied the "two invoice system" to medical devices and medical consumables, and our Directors confirmed that we have not suffered any material loss due to the implementation of the "two invoice system".

However, it is uncertain when and how the "two invoice system" will be implemented, if at all, to the medical devices and medical consumables in other geographic areas where we operate (the "**Other Areas**"). It is therefore difficult to predict how our distribution business segment and financial performance may be affected. With a view of further strengthening our distribution capability and sales network, integrating our distribution value chain, and mitigating the potential impact from the national implementation of the "two invoice system", we acquired the remaining 60% equity interest in Vastec in 2019.

Furthermore, our Directors are of the view that our financial performance for our distribution business will not be materially affected as sales of Sysmex' heamostasis products by both of our Original Group and Vastec will not be affected due to the following reasons:

i. Vastec (Shanghai) has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since Sysmex first entered into the PRC IVD market in 1997 and it is unlikely that Vastec would be replaced by other distributors as the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC;

ii. According to Frost & Sullivan, Sysmex' haemostasis products had a market share of approximately 43.9% by revenue in 2018 in the PRC, representing the largest market share in the PRC haemostasis analysis market. Our Directors believe that given Sysmex' leading position in the PRC haemostasis analysis market, there will be continuous and stable demand for Sysmex' haemostasis products from end customers including hospitals and other healthcare institutions. As Vastec has been the sole national distributor of Sysmex' haemostasis products since 1997, as long as there is demand for Sysmex' haemostasis products, the sales volume of our Original Group and Vastec will unlikely to be affected; and

iii. In addition, to the best of our Directors' knowledge, as at 31 December 2018, accumulatively there were approximately 6,359 of Sysmex' haemostasis analysers installed at the hospitals and healthcare institutions in the PRC. As each IVD analyser model has a dedicated diagnostic purpose, certain reagents and consumables will be needed in order to perform the relevant IVD tests. The installation of Sysmex' haemostasis IVD analysers at the hospitals and healthcare institutions in the PRC therefore secures recurring income stream from sales of Sysmex' haemostasis reagents.

In addition, we will adopt the following measures to mitigate the adverse impacts that may result from the implementation of the "two invoice system" in the Other Areas:

(i) According to the distribution agreement entered into between Vastec (Shanghai) and Sysmex Applied Medical Electronics Co. Ltd.*, Vastec (Shanghai) has been appointed as Sysmex Applied Medical Electronics Co. Ltd.* sole national distributor with exclusive distribution rights to distribute haemostasis products including analysers, reagents and other consumables in the PRC. Our PRC Legal Adviser is of the view that Vastec (Shanghai) is likely to be deemed as a manufacturer in distributing Sysmex Applied Medical Electronics Co. Ltd.* Haemostasis Products and the invoice from Sysmex Applied Medical Electronics Co. Ltd.* to Vastec (Shanghai) would not be counted as the first invoice. Upon Completion of the Acquisition, Vastec (Shanghai) becomes a wholly-owned subsidiary of our Group, our PRC Legal Adviser is of the view that the distribution and sales from Vastec (Shanghai) to Dacheng will not be counted as one invoice.

(ii) Further develop our direct business relationship with IVD manufacturers instead of sourcing products through their distributors. As at the 31 December 2018, we have developed business relationship with three manufacturers and are expecting to further strengthen business ties with our manufacturers so as to integrate our upstream network in order to fulfil the requirements of the "two invoice system". Please refer to the paragraph headed "Our Business Strategies – Expand our product portfolio, the reach of our distribution network and our hospital coverage" in this section for details.

(iii) Further strengthen our relationships with hospitals to increase the number of hospitals for providing solution services. As at the Latest Practicable Date, we have been providing solution services to three hospitals and in aggregate, they have contributed an average of 23.6% of our Original Group's total revenue during the Track Record Period. As a key strategy for our future development, we will focus on developing direct relationships with hospitals to provide solution services and we believe that by directly selling our products to the hospitals, the losses we might suffer in the Other Areas as a result of the implementation of the "two invoice system" will be partially offset.

(iv) Further develop our self-branded products business to strengthen our position as a domestic IVD manufacturer in the IVD industry in the PRC.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be alloted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), our Group will have two groups of Controlling Shareholders, being: (i) the Founding Group comprising Mr. Ho, Mr. Leung and Mr. Lin and their respective wholly-owned investment holding companies, namely KS&KL, King Sun and Lucan Investment; and (ii) Shinva and Huatuo, each of which will continue to own and control approximately 34.78% and 33.27% of the issued share capital of our Company, respectively.

The Founding Group

KS&KL is an investment holding company wholly owned by Mr. Ho, the Chairman, the Chief Executive Officer of our Company and an executive Director. King Sun is an investment holding company wholly owned by Mr. Leung, the Chief Operating Officer of our Company and an executive Director. Lucan Investment is an investment holding company wholly owned by Mr. Lin, the General Manager of our Company and an executive Director.

Pursuant to the Common Control Confirmation, Mr. Ho, Mr. Leung and Mr. Lin have acknowledged and confirmed, *inter alia*, that they controlled and managed our Group on a collective basis and made collective decisions in respect of the financial, operational and strategic planning of the Subject Companies at all material times in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over our Group. Details of the Common Control Confirmation are set out in the section headed "History, Reorganisation and Corporate Structure – Corporate development – Common control confirmation" in this prospectus.

By virtue of the collective control arrangement among Mr. Ho, Mr. Leung and Mr. Lin pursuant to the Common Control Confirmation, the Founding Group will collectively continue to own and control approximately 34.78% of the issued share capital of our Company upon Listing (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Options or the options granted or to be granted under the ESOP or the Share Option Scheme) and will be a group of Controlling Shareholders.

To ensure that competition will not exist in the future, the Founding Group has entered into the Founding Group Deed of Non-competition with us to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our business.

The Shinva Group

Shinva, via its wholly-owned investment holding company, Huatuo, will own and control approximately 33.27% of the issued share capital of our Company upon Listing (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Options or the options granted or to be granted under the ESOP or the Share Option Scheme). Accordingly, Shinva and Huatuo will be another group of Controlling Shareholders upon Listing. Huatuo will only be represented by non-executive Directors on our Board. Mr. Chen Xingang, a non-executive Director, is a supervisor, an assistant to the president and the general manager of the IVD department of Shinva, while Mr. Yang Zhaoxu, also a non-executive Director, is a deputy general manager and deputy chief engineer of Shinva. Huatuo, being a strategic investor, will not participate in our Group's day-to-day operation, save for participating and voting on the relevant resolutions in key matters at board/shareholder meetings.

Shinva is a national healthcare company established under the laws of the PRC on 18 April 1993 with its business operations encompassing multiple segments in the healthcare industry value chain. The Shinva Group is primarily engaged in the research and development, manufacturing and sale of medical equipment and pharmaceutical equipment as well as the provision of healthcare services. Prior to the Acquisition in January 2019, a majority of the Shinva Group's IVD business is in the form of Shinva's investment in Vastec HK where Huatuo is a strategic investor and did not participate in the day-to-day operation of Vastec HK save for participating and voting on the relevant resolutions in key matters at board/shareholder meetings. After the Acquisition, the remaining self-operated IVD business is carried out by the following wholly-owned or majority-owned subsidiaries of Shinva (the "**Excluded Companies**"):

	Name of Excluded Companies	Approximate percentage of shareholding held by Shinva	Principal activities
1.	長春博迅生物技術有限公司 (Changchun Bioxun Biotech Co., Ltd.) and its wholly-owned subsidiary, 長春博迅生物製品銷售有限公司 (Changchun Bioxun Biological Products Sales Co., Ltd*) (collectively referred to as "**Bioxun Companies**")	88.26%	Research, development, manufacturing and sale of IVD analysers and reagents
2.	北京威泰科生物技術有限公司 (Beijing WETECH Biological and Technological Co., Ltd.) ("**Beijing Wetech**")	65.00%	A tier 1 distributor of a French-branded manufacturer of microbiological testing products

	Name of Excluded Companies	Approximate percentage of shareholding held by Shinva	Principal activities
3.	山東新華醫學檢驗技術有限公司 (Shandong Shinva Medical Diagnosis Technology Co., Ltd.*) ("**Shinva Medical Diagnosis**")	100.00%	(i) A tier 1 distributor of Bioxun Companies in respect of its blood testing products in Non-Target Cities (as defined below), and (ii) a solution provider of the IVD products to the Non-Target Hospitals (as defined below)
4.	北京新華執信醫療設備有限公司 (Beijing Shinva Joinscience Medical Instrument Co., Ltd.) ("**Shinva Joinscience**")	51.00%	A tier 2 distributor of international brand A's biochemical and immunoassay products and Sysmex' blood cell counters and urinalysis products

As at the Latest Practicable Date and upon Listing, the Shinva Group held and will continue to hold interests in the above Excluded Companies (save for Shinva Joinscience, in which Shinva may consider disposing of its entire equity interest in the event of any actual or potential competition), as further described below.

Shinva's A shares have been listed on the Shanghai Stock Exchange (stock code: 600587) in September 2002. Shinva had total assets of approximately RMB12,425 million as at 31 December 2017, and its net profit for the financial year ended 31 December 2017 was approximately RMB148.9 million.

OUR BUSINESS

We are a distributor of IVD products in the PRC, with our Original Group being the third largest distributor in the Shanghai IVD market and Vastec being the fourth largest tier 1 IVD distributor in the PRC in 2017. Our distribution business mainly involves: (i) the trading of IVD analysers, reagents and other consumables to customers such as hospitals and healthcare institutions, logistics providers and distributors in Shanghai primarily through Dacheng (Shanghai), and (ii) the distribution of Sysmex' haemostasis products including haemostasis analysers, reagents and other consumables in the PRC with nationwide distribution rights through Vastec (Shanghai). In addition, we also provide solution services to the clinical laboratories of hospitals for centralised procurement. We are also engaged in the research, development, manufacturing and sale of IVD analysers and reagents under our own brand. Our product portfolio covers four out of the six major IVD testing categories, namely haematology and body fluid, immunoassay, clinical chemistry and POCT which are mainly sourced from international brands such as Sysmex, international brand A and international brand B.

Delineation from the Shinva Group and the Excluded Business

The Shinva Group's business strategy is for our Group to act as its main flagship for the distribution and sale of IVD product. The Shinva Group will continue to retain its interest in the Excluded Companies upon Listing, which engage in: (i) the manufacturing of IVD products for blood testing and grouping; (ii) acting as a tier 1 distributor of a French-branded manufacturer of microbiological testing product specialised for detecting infectious diseases by testing body fluid specimen; (iii) acting as a distributor of Bioxun Companies in respect of its blood testing products in Non-Target Cities (as defined below); and (iv) acting as a solution provider of the IVD products to the Non-Target Hospitals (as defined below) (the "**Excluded Business**") as detailed in the paragraph below.

Upon Listing, the Shinva Group will continue to focus on its three core business segments, comprising: (i) the manufacturing, research, development and sale of medical equipment; (ii) the manufacturing, research, development and sale of pharmaceutical equipment; and (iii) the provision of healthcare services. Our Directors consider that the Shinva Group's continued interest in the Excluded Business will not affect the delineation of the business of our Group from that of the Shinva Group and that there will not be any competition between our Group and the Shinva Group upon Listing.

Distribution of IVD Products as a Distributor

(i) Bioxun Companies

Bioxun Companies are principally engaged in the research, development, manufacturing, and sale of IVD analysers and reagents specialised for blood transfusion safety. These products are mainly used in the process of blood transfusion to ensure proper blood type matching.

The IVD products manufactured and offered by Bioxun Companies and by us are different in terms of product type and function. Our self-branded IVD products under our brand " " focus on the testing categories of POCT and clinical chemistry, which are mainly used for quantitative detection of multiple biomarkers such as C-reactive protein in blood, whereas the Bioxun Companies manufacture blood transfusion safety products, such as blood type identifiers and blood type analysers. As the types of IVD products manufactured and offered by Bioxun Companies and by us are different in nature and serve different purposes, our Directors are of the view that there is no overlap between the IVD products manufactured and offered by Bioxun Companies and by us in terms of product type and function. While we consider there is no overlap between the products manufactured and offered by Bioxun Companies and by us, since Dacheng (Shanghai) is also a tier 1 distributor of the blood testing and grouping products manufactured by Bioxun Companies, there may exist competition between us and other tier 1 distributors of the same products manufactured by Bioxun Companies. See "– Our Business – Distribution of IVD Products as a Distributor – (iii) Shinva Medical Diagnosis" below for details.

(ii) Beijing Wetech

Beijing Wetech is a tier 1 distributor of a French-branded manufacturer of microbiological testing products. Beijing Wetech is a designated distributor of the French-branded manufacturer in Shanxi, Gansu, Ningxia, Qinghai (other than excluded hospitals), Inner Mongolia (other than excluded hospitals) and specified end customers in Beijing. A distributor would typically be incentivised to sell and promote products to downstream customers in return for more sales income, and they will typically devote sales and marketing efforts to develop the market and establish customer network to secure future sales.

During the Track Record Period, Vastec (Shanghai) acted as a distributor for an American-branded manufacturer of blood culture products specialised for detecting micro-organism in blood samples. Pursuant to the agreement between Vastec (Shanghai) and the American-branded manufacturer, we are only authorised to distribute blood culture products to the designated hospitals as specified by the manufacturer, and we are not permitted to distribute products to other hospitals outside such scope. As such, we would not normally be incentivised to sell and promote products to downstream customers on our own. In order to achieve the segregation between the distribution service businesses of the Shinva Group and our Group and to ensure clear delineation, we will enter into a transportation agent service agreement with the manufacturer to better reflect both parties' respective rights and responsibilities, stipulating our role as a transportation agent (and not as a distributor) and our duties in ensuring the efficient delivery of products to designated hospitals as specified by the manufacturer in return for services income (in the form of slight sales mark-up).

Based on the audited financial statements of Beijing Wetech for the year ended 31 December 2016 and the unaudited management accounts of Beijing Wetech for the years ended 31 December 2017 and 2018, which are provided by the Shinva Group after reasonable enquiries made by our Directors, set forth below are the approximate revenue and net profit of Beijing Wetech for the periods indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	149,521	133,823	150,091
Net profit	5,551	4,674	7,859

Set forth below is the approximate audited revenue generated by Vastec (Shanghai) from the distribution of blood culture products for the periods indicated:

	Year ended 31 December					
	2016		**2017**		**2018**	
	RMB'000	*% of total revenue of Vastec*	*RMB'000*	*% of total revenue of Vastec*	*RMB'000*	*% of total revenue of Vastec*
Revenue from distribution of blood culture products	6,664	0.48%	5,684	0.36%	4,865	0.26%

Given (i) the business models of Beijing Wetech and Vastec (Shanghai) are different from each other, and (ii) revenue generated from the distribution of blood culture products by Vastec (Shanghai) only accounted for approximately 0.48%, 0.36% and 0.26% of its total revenue for the years ended 31 December 2016, 2017 and 2018, respectively, the Directors consider that there is no material competition between our Group and the Shinva Group in the distribution of microbiological testing products.

(iii) Shinva Medical Diagnosis

Shinva Medical Diagnosis and Dacheng (Shanghai) are both tier 1 distributors of the blood testing and grouping products manufactured by Bioxun Companies, however, they are designated with different geographic regions for product distribution.

To the best knowledge of our Directors after reasonable enquiries made to the Shinva Group, Bioxun Companies typically enter into distribution agreements with its tier 1 distributors and grant geographic exclusivities to them in order to avoid cannibalisation. Pursuant to the distribution agreements, the distributors are only authorised to sell blood testing and grouping products within the designated authorised geographic regions as specified in the distribution agreements, and they are not permitted to sell the products outside of their designated authorised geographic regions.

Pursuant to the distribution agreements with Bioxun Companies, our Group is a designated distributor of Bioxun Companies in respect of the blood testing and grouping products for certain end customers in certain Shanghai regions (the "**Target City**"), while Shinva Medical Diagnosis is a designated distributor of Bioxun Companies in Yantai (煙台), Weihai (威海) and Qingdao (青島) (collectively, the "**Non-Target Cities**"). As at the Latest Practicable Date, Bioxun Companies also engaged various distributors in other regions of Shanghai, all of which are independent of and not connected with Shinva.

In order to achieve the geographical segregation between the distribution of blood testing and grouping products businesses of the Shinva Group and our Group and to ensure clear delineation, our Group will conduct our distribution of blood testing and grouping products business only in the Target City, whereas the Shinva Group will conduct its distribution of blood testing and grouping products business anywhere outside of the Target City. Given the fact that the distribution of such products is not our Group's primary business focus, we do not intend to expand our distribution business in connection with such blood testing and grouping products outside of the Target City going forward. Pursuant to the Shinva Group Deed of Non-competition, our Group shall have the right of first refusal to take up any new business opportunities in respect of the distribution of blood testing and grouping products in any regions of the Target City. There is and will be no overlapping city where our Group and the Shinva Group conduct their respective distribution businesses. Such geographical delineation aims solely to ring-fence the operations of our Group from any potential operations of the Shinva Group.

Set forth below is our revenue generated from the distribution of Bioxun manufactured blood testing and grouping IVD products for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*% of total revenue of our Original Group*	*RMB'000*	*% of total revenue of our Original Group*	*RMB'000*	*% of total revenue of our Original Group*
Revenue from the distribution of Bioxun manufactured blood testing and grouping IVD products	–	–	276	0.08	711	0.17

(iv) Shinva Joinscience

The IVD products distributed by Shinva Joinscience overlaps with those offered by us. Pursuant to Shinva Joinscience's existing distribution agreements, Shinva Joinscience is only authorised to distribute international brand A's biochemical and immunoassay products in Beijing and Sysmex' blood cell counters and urinalysis products in Beijing and Zhangjiakou (張家口), Hebei Province (the "**Covered Cities**"), whereas our Group is authorised to distribute such IVD products in Shanghai pursuant to our existing distribution agreements. Therefore, there is currently no overlapping city where our Group and the Shinva Group distribute such IVD products. In order to achieve the geographical segregation between such IVD products distributed by the Shinva Group and our Group and to ensure clear delineation, the Shinva Group has undertaken that: (i) pursuant to the Shinva Group Deed of Non-competition, the Shinva Group will only maintain its existing customers in respect of such IVD products in the Covered Cities and that our Group has the right of first refusal for any new business opportunities in respect of the distribution of such IVD products anywhere in the PRC, including the Covered Cities; and (ii) notwithstanding the above, in the event that our Group is authorised to distribute international brand A's biochemical and immunoassay products and Sysmex' blood cell counters and urinalysis products in the Covered Cities, resulting in direct competition between our Group and the Shinva Group in connection with the distribution of such IVD products in the Covered Cities, the Shinva Group will consider to dispose of its entire equity interest in Shinva Joinscience so as to avoid any such competition. Therefore, our Directors consider that there will not be any competition between the Shinva Group and us in the distribution of international brand A's biochemical and immunoassay products and Sysmex' blood cell counters and urinalysis products.

Set forth below is our revenue generated from the distribution of international brand A's biochemical and immunoassay products and Sysmex blood cell counters and urinalysis products for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*% of total revenue of our Original Group*	*RMB'000*	*% of total revenue of our Original Group*	*RMB'000*	*% of total revenue of our Original Group*
Revenue from the distribution of international brand A's biochemical and immunoassay products and Sysmex blood cell counters and urinalysis products	70,878	24.40%	67,096	19.84%	89,009	21.52%

Distribution of IVD Products through the provision of solution services

As part of our Group's distribution business, we also distribute IVD products through the provision of solution services to three hospitals in the PRC. We secure sales orders with hospitals through a competitive tendering process. After having been awarded a tender, we generally enter into framework supply agreements with the hospitals and distribute the IVD products as a general supplier of IVD products upon receipt of purchase orders placed by the hospitals, which specify the brand, type and quantity of IVD products in demand.

The following table sets forth details of hospitals to which we provided such solution services as at the Latest Practicable Date (the "**Target Hospitals**"):

Target Hospitals	Description of the Target Hospitals
Hospital A	A Class IIIA hospital, which is affiliated with a university in Shanghai
Hospital B	A private hospital
Hospital C	A Class IIIA Chinese medicine orthopaedic hospital in Shandong Province

Apart from our Group, the Shinva Group also provides solution services to four hospitals and one healthcare institution in the PRC. The following table sets forth details of these hospitals and health institution as at the Latest Practicable Date (the "**Non-Target Hospitals**"):

Non-Target Hospitals	Description of the Non-Target Hospitals
Hospital D	A Class IIA synthesis hospital in Zichuan, Shandong Province
Hospital E	A Class IIA synthesis hospital in Zhangdian, Shandong Province
Hospital F	A Class IIA hospital in Dongying, Shandong Province
Hospital G	A Class II hospital specialised in Hefei, Anhui Province
Hospital H	A medical clinic in Qingdao, Shandong Province

In order to achieve the segregation between the solution service businesses of the Shinva Group and our Group and to ensure clear delineation, the Shinva Group will conduct its solution services business only in the Non-Target Hospitals while our Group will conduct its solution services business in the Target Hospitals. In respect of any other hospitals in the PRC other than the Target Hospitals or the Non-Target Hospitals (the "**Unoccupied Hospitals**"), pursuant to the Shinva Group Deed of Non-competition, our Group shall have the right of first refusal for any new business opportunities in respect of the solution service business in the Unoccupied Hospitals. There is and will be no overlapping hospitals.

Set forth below is our revenue generated from the distribution of IVD products through the provision of solution services for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*% of total revenue of our Original Group*	*RMB'000*	*% of total revenue of our Original Group*	*RMB'000*	*% of total revenue of our Original Group*
Revenue from the provision of solution services provided to the Target Hospitals	79,916	27.52%	92,421	27.32%	108,705	26.28%

Main Reasons for Exclusion of the Excluded Business

Shinva is a listed company, and its A-shares are listed on the Shanghai Stock Exchange. The Excluded Business has been all along separately managed and operated by the Excluded Companies and in geographical regions where they have local network and resources. The Excluded Companies have their own management teams and employees, offices, operational and organisation structures, and their business operations are separate from and independent of those of our Group.

With respect to Shinva's involvement in our business, Mr. Ho and Mr. Leung introduced Huatuo as a strategic investor and sold their 60% interest in Vastec HK to Huatuo in December 2013. Huatuo is a strategic investor of Vastec HK and did not participate in the day-to-day operation of Vastec HK save for participating and voting on the relevant resolutions in key matters at board/shareholder meetings. Mr. Ho and Mr. Leung, being the chief executive officer and the chief operating officer of Vastec HK, respectively, have been largely responsible for the management of the business operations of Vastec HK since its establishment. As part of the Reorganisation and the Pre-IPO Investments, various entities controlled and managed by the Founding Group, including its 40% interest in Vastec HK, are included as part of our Group. With a view to further strengthening our distribution capability and sales network and integrating our distribution business value chain, the Founding Group decided to acquire the remaining 60% equity interest in Vastec HK from Huatuo in January 2019, and Shinva, via its wholly-owned investment holding company, Huatuo, has since then become one of our Controlling Shareholders.

Although Shinva is one of our Controlling Shareholders, the Excluded Business self-operated by Shinva has, all along, been a distinguishable and independently operated line of business that is different from our business, where Shinva perceives as an industry investment. Given that (i) Shinva is a listed company accounting for its own shareholders' interest, and (ii) the nature, management operations and local resources of the Excluded Business may not be compatible with our business, there is no reason to include the Excluded Companies in our Group as part of the Listing, and Shinva does not intend to inject all or part of the Excluded Business into our Group.

Save as disclosed above, as at the Latest Practicable Date, none of our Controlling Shareholders, any of their respective close associates nor our Directors had interests in other businesses that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

DEEDS OF NON-COMPETITION BY OUR CONTROLLING SHAREHOLDERS

To ensure that competition will not exist in the future, the Founding Group and Shinva Group have respectively entered into the Founding Group Deed of Non-competition and the Shinva Group Deed of Non-competition in favour of us, details of which are as follows:

The Founding Group Deed of Non-competition

Pursuant to the Founding Group Deed of Non-competition, Mr. Ho, Mr. Leung and Mr. Lin, KS&KL, King Sun and Lucan Investment, each as a covenantor (each a "**Founding Covenantor**", and collectively the "**Founding Covenantors**") has, among other things, irrevocably and unconditionally undertaken with our Company that at any time during the Relevant Period (as defined below), each of the Founding Covenantors shall not, and shall procure its close associates (other than members of our Group) not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on its own account or with each other or in conjunction with or on behalf of any person or company, any business directly or indirectly in competition with or likely to be in competition with the existing business activities of our Group (the "**Relevant Business**").

For the above purpose, the "**Relevant Period**" means the period commencing from the Listing Date and until the earlier of: (i) the date on which our Shares cease to be listed on the Stock Exchange; and (ii) the date on which such Founding Covenantors (together with their respective close associates) cease to be our Controlling Shareholder.

The aforesaid undertaking does not apply with respect to the holding of or being interested in, directly or indirectly, by the Founding Covenantors and/or their respective close associates, any shares in any company which conducts or is engaged in, directly or indirectly, any business directly or indirectly in competition with or likely to be in competition with the Relevant Business, provided that:

(a) such shares are listed on a recognised stock exchange;

(b) the total number of such shares held by any of the Founding Covenantors and/or their respective close associates does not amount to more than 10% of the issued shares of that class of such company in question; and

(c) any Relevant Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or consolidated assets (individually or collectively with their respective close associates) as shown in that company's latest audited accounts.

Right of First Refusal

Each of the Founding Covenantors further undertakes with our Company that, if any new business opportunity relating to the Relevant Business arises (the "**Business Opportunity**"):

(a) the Founding Covenantors shall direct to our Company any such Business Opportunity by serving our Company a written notice; and

(b) such written notice shall include all information together with any documents possessed by it or its associates in respect of the Business Opportunity to enable our Company to evaluate the merit of the Business Opportunity and all reasonable assistance as requested by our Company to enable our Group to secure the Business Opportunity.

Upon receipt of the written notice from the Founding Covenantors, our Board (other than the interested Director, if any) will consider whether it is in the interest of our Company and our Shareholders as a whole to pursue the Business Opportunity. The Founding Covenantors and their respective close associates (other than members of our Group) will not be entitled to pursue the Business Opportunity unless the Business Opportunity is declined by us, and the principal terms of which they and/or their close associates (other than members of our Group) invest or participate are no more favourable than those made available to our Company.

In addition, it is further provided in the Founding Group Deed of Non-competition that if there is any disagreement between the Founding Covenantors and our Company as to whether any Business Opportunity shall directly or indirectly compete or lead to competition with the Relevant Business, the matter shall be determined by our independent non-executive Directors whose decision shall be final and binding.

Indemnity

Each of the Founding Covenantors jointly and severally undertakes to indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Company or any other member of our Group arising out of or in connection with any breach of its undertakings and/or obligations under the Founding Group Deed of Non-competition, including any costs and expenses incurred as a result of such breach, provided that the indemnity contained in the indemnity clause shall be without prejudice to any other rights and remedies we are entitled to in relation to any such breach, including specific performance, and all such other things and remedies are hereby expressly reserved by us.

The Shinva Group Deed of Non-competition

Pursuant to the Shinva Group Deed of Non-competition, each of Shinva and Huatuo as a covenator (each a "**Shinva Covenator**", and collectively the "**Shinva Covenators**") has, among other things, irrevocably and unconditionally undertaken with our Company that at any time during the Relevant Period, each of the Shinva Covenators shall not, and shall procure its close associates (other than members of our Group) not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on its own account or with each other or in conjunction with or on behalf of any person or company, any business in competition with or likely to be in competition with the Relevant Business, save for the Excluded Business.

For the above purpose, the "**Relevant Period**" means the period commencing from the Listing Date and until the earlier of: (i) the date on which our Shares cease to be listed on the Stock Exchange; and (ii) the date on which the Shinva Covenators (together with their respective close associates) cease to be our Controlling Shareholder.

On 25 January 2019, Shinva obtained approvals from its shareholders in relation to the Acquisition and the underlying Vastec HK Share Purchase Agreement, pursuant to which Shinva has given non-competition undertaking and will enter into the Shinva Group Deed of Non-Competition. Accordingly, each of Shinva and Huatuo will execute the Shinva Group Deed of Non-Competition prior to the Listing without the need to obtain new approvals from Shinva's board of directors and shareholders.

Right of First Refusal

(i) New business opportunity in the Unoccupied Hospitals

With respect to the business of distribution of IVD products through the provision of solution services, each of the Shinva Covenators will grant us the right of first refusal, as part of the Shinva Group Deed of Non-competition, to conduct business in the Unoccupied Hospitals. If any of the Shinva Covenators or any of their respective close associates identifies or is offered any business opportunity to conduct solution services business in any Unoccupied Hospitals during the Relevant Period, it shall:

(a) direct to our Company any such business opportunity by serving us a written notice; and

(b) such written notice shall include all information together with any documents possessed by it or its associates in respect of such business opportunity to enable us to evaluate the merit of such business opportunity and all reasonable assistance as requested by our Company to enable our Group to secure such business opportunity.

Upon receipt of the written notice from the Shinva Covenators, our Board (other than the interested Director, if any) will consider whether it is in the interest of our Company and our Shareholders as a whole to pursue such business opportunity. The Shinva Covenators and their respective close associates (other than members of our Group) will not be entitled to pursue the business opportunity unless it is declined by us, and the principal terms of which they and/or their close associates (other than members of our Group) invest or participate are no more favourable than those made available to our Company.

Upon exercise of the right of first refusal in respect of such business opportunity in the Unoccupied Hospitals, the relevant Unoccupied Hospital will become a Target Hospital. In the event that we decline such business opportunity and upon the time when the Shinva Covenators take up such business opportunity, the relevant Unoccupied Hospital will become a non-Target Hospital.

(ii) New business opportunities in the Target City

Each of the Shinva Covenantors undertakes to grant us the right of first refusal, as part of the Shinva Group Deed of Non-competition, with respect to any new business opportunities in respect of distribution of blood testing and grouping products in any regions of the Target City.

(iii) Other new business opportunity

Each of the Shinva Covenators further grants us the right of first refusal, as part of the Shinva Group Deed of Non-competition, with respect to any new business opportunity relating to the Relevant Business.

In addition, it is further provided in the Shinva Group Deed of Non-competition that if there is any disagreement between the Shinva Covenators and our Company as to whether any business opportunity shall directly or indirectly compete or lead to competition with the Relevant Business, the matter shall be determined by our independent non-executive Directors whose decision shall be final and binding.

Indemnity

Each of the Shinva Covenators jointly and severally undertakes to indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Company or any other member of our Group arising out of or in connection with any breach of its undertakings and/or obligations under the Shinva Group Deed of Non-competition, including any costs and expenses incurred as a result of such breach, provided that the indemnity contained in the indemnity clause shall be without prejudice to any other rights and remedies we are entitled to in relation to any such breach, including specific performance, and all such other things and remedies are hereby expressly reserved by us.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the following measures to manage the conflict of interest arising from competing business and to safeguard the interests of our Shareholders:

(a) our independent non-executive Directors will review, on an annual basis, the Deeds of Non-competition to ensure compliance with the Deeds of Non-competition by our Controlling Shareholders;

(b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deeds of Non-competition;

(c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deeds of Non-competition in the annual reports of our Company;

(d) our Controlling Shareholders will provide confirmation on their compliance with the Deeds of Non-competition in the annual reports of our Company;

(e) our independent non-executive Directors are empowered to engage professional advisors at our costs for advice on matters relating to any Business Opportunity or if and when they think necessary in the course of considering connected transactions or reviewing compliance with the Deeds of Non-competition;

(f) our Company will disclose in an announcement, interim or annual report on the decision, with basis, of our independent non-executive Directors to pursue or decline a Business Opportunity;

(g) our Board will ensure that any material conflict or material potential conflict of interest involving our Controlling Shareholders will be reported to our independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered, and a board meeting will be held to review and evaluate the implications and risk exposure of such event and to monitor any materially irregular business activities. The conflicted Directors shall be required to abstain from participating and voting in the board meetings on which resolutions with material conflict or material potential conflict of interest are discussed;

(h) our Company has appointed Ballas Capital Limited as its compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to directors' duties and internal control; and

(i) our Company will observe any transaction that is proposed between our Group and its connected persons, and our Company will be required to comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements of those rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates upon Listing.

Management Independence

Our Company has our own management team, of which most members are independent from our Controlling Shareholders. Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Our non-executive

Directors and independent non-executive Directors will not participate in our daily operations. Each of our Directors is aware of his fiduciary duties as a Director which require, among others, that he must act for the benefit and in the best interest of our Company and must not allow any conflict between his duties as a Director and his personal interest. If there is any potential conflict of interest arising out of any transactions to be entered into between our Group and our Directors or their respective close associates, the interested Director shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Each of Mr. Ho, Mr. Leung and Mr. Lin is an executive Director as well as the sole director of their respective investment holding companies, namely KS&KL, King Sun and Lucan Investment. Each of KS&KL, King Sun and Lucan Investment is a corporate Controlling Shareholder. Since each of KS&KL, King Sun and Lucan Investment has no business other than holding each of Mr. Ho's, Mr. Leung's and Mr. Lin's shareholding interest in our Company, our Directors do not consider that there is any issue in relation to management independence arising from the overlapping of directors between our Company and KS&KL, King Sun and Lucan Investment.

Each of Mr. Chen Xingang and Mr. Yang Zhaoxu is a non-executive Director. Mr. Chen Xingang also holds the position of supervisor in Shinva, while Mr. Yang Zhaoxu holds the positions of deputy general manager and deputy chief engineer in Shinva, and they will remain in such positions after the Listing. Details of the respective roles and responsibilities of Mr. Chen Xingang and Mr. Yang Zhaoxu in our Company and Shinva are set out as follows:

Director	**Roles and responsibilities in our Company**	**Roles and responsibilities in Shinva**
Mr. Chen Xingang	Non-executive Director	Supervisor, assistant to the president and the general manager of the IVD department
	Responsible for providing advice on strategies of our Group	Responsible for business operation management of the IVD department
Mr. Yang Zhaoxu	Non-executive Director	Deputy general manager and deputy chief engineer
	Responsible for providing advice on strategies of our Group	Responsible for technology development, production and operations management of Shinva

Our Directors consider that the management of our Group will be able to function independently from Shinva, notwithstanding the fact that Mr. Chen Xingang and Mr. Yang Zhaoxu will continue to hold positions in Shinva for the following reasons:

(a) seven out of nine Directors will not hold any position in the Shinva Group upon Listing. Accordingly, a vast majority of the members of our Board are independent from Shinva, and Mr. Chen Xingang and Mr. Yang Zhaoxu, being the Directors who will also continue to hold positions in Shinva, do not have an absolute majority to pass any resolution of our Board;

(b) Mr. Chen Xingang and Mr. Yang Zhaoxu will not actively participate in the daily management and operations of our Group as they are non-executive Directors;

(c) there is no overlapping senior management personnel between our Group and the Shinva Group. The senior management is independent from the employment by and operations of the Shinva Group. Our Group will accordingly have our own senior management team, who will bring with them experience and expertise in the IVD industry;

(d) three out of nine Directors, which is one-third of our Board, are independent non-executive Directors, and there is no overlapping independent non-executive directors between our Company and Shinva. All three independent non-executive Directors are independently appointed to our Board and do not have obligations in the Shinva Group. None of our independent non-executive Directors has any position or role in the Shinva Group, and none of the criteria affecting independence under Rule 3.13 of the Listing Rules applies to them. The independent non-executive Directors either have appropriate academic qualifications or extensive experience in their respectable specialty areas, or are appointed for the diversity in skills and background that they may add to our Board. Our independent non-executive Directors will be expected to bring impartial and independent judgment to our Board and to take the lead in matters to be discussed by our Board where potential conflict of interest between the Shinva Group and our Group may arise. In addition, all members of the audit committee and the majority of the members of the nomination committee and remuneration committee of our Company are independent non-executive Directors; and

(e) our Company will have in place the following arrangements and corporate governance measures to manage any actual or potential conflict of interest, ensure independent decision making, safeguard the protective measures under the Deeds of Non-competition and, ultimately, protect the interests of our Shareholders:

    (i) Mr. Chen Xingang and Mr. Yang Zhaoxu shall, in case of any conflict of interest, abstain from voting on the relevant resolution(s) of our Board, in accordance with and subject to the Articles of Association as well as the applicable rules and regulations under the laws of jurisdiction of our Company;

    (ii) pursuant to the Articles of Association, there will be provisions to the effect that a director shall not vote (nor be counted in the quorum) on a resolution of our Board approving any contract or arrangement in which he or any of his associates is materially interested;

(iii) our independent non-executive Directors who have no material interest in the transaction should be present at all board meetings in which such transaction is to be resolved; and

(iv) our independent non-executive Directors will be reviewing the compliance of our Controlling Shareholders with the Deeds of Non-competition.

Our Directors believe that the presence of directors from different backgrounds provides a balance of views and opinions and, having taking into account the above factors, our Company is satisfied that our Directors will be able to perform their roles in our Group independently and that our Group is capable of managing its business independently from the Shinva Group upon Listing.

Operational independence

Our Directors believe that our Group will be able to operate independently from our Controlling Shareholders for the following reasons:

(a) as explained in the paragraph headed "– Our Business – Delineation from the Shinva Group and the Excluded Business" above, the business operations of our Group are separate and independent from those of the Shinva Group;

(b) although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Board has full rights to make all decisions on, and to carry out, its own business operations independently;

(c) our Company (through its subsidiaries) holds all material licences necessary to carry on its businesses and has sufficient capital, equipment and employees to operate its business independently from our Controlling Shareholders;

(d) our Group has an independent work force to carry out its operations independently from our Controlling Shareholders. We have established our own operational and organisational structure with dedicated departments and management personnel to run daily operations. We have our own employees equipped with the relevant skills to run the ordinary course of our business and a management team which possesses the requisite experience and expertise the IVD industry.

As at the Latest Practicable Date, we leased eight properties in Hong Kong and the PRC from the Founding Group and their close associates for office or dormitory use pursuant to the Founding Group Tenancy Agreements. We also leased three properties in the PRC from the Shinva Group for office use and warehouse use pursuant to the Shinva Group Tenancy Agreements. Further details of the Founding Group Tenancy Agreements and the Shinva Group Tenancy Agreements are disclosed in the section headed "Connected Transactions" in this prospectus. Save as disclosed above, we do not use any facilities of our Controlling Shareholders or their respective close associates.

Save for certain continuing connected transactions in the ordinary course of business of our Group set out in the section headed "Connected Transactions" in this prospectus, the distributors, customers and suppliers of our Group are third parties other than our Controlling Shareholders. The continuing connected transactions will be conducted on normal commercial terms in accordance with the pricing policy of each of our Group and our Controlling Shareholders and are not prejudicial to the interest of any of them.

Save as those disclosed in the section headed "Connected Transactions" in this prospectus, our Directors currently do not expect that, following the Listing, there will be other non-exempt connected transactions between our Company and our Controlling Shareholders or their respective associates. Our Company confirms that we will fully comply with Chapter 14A of the Listing Rules if any other connected transaction arises in the future.

Financial independence

Our Directors confirm that we have our own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and the ability to operate independently from our Controlling Shareholders from a financial perspective. We make financial decisions independently and according to our own business needs and financial conditions.

As at 31 December 2018, our Original Group had amounts due from the Founding Shareholders (non-trade nature) of approximately RMB0.8 million. Such balances were unsecured, non-interest-bearing and repayable on demand. As at 31 December 2018, our Original Group had amounts due to Shinva (non-trade nature) of approximately RMB0.3 million. Such balances were unsecured, non-interest-bearing and repayable on demand. Please refer to the section headed "Financial Information of our Original Group – Certain Items of Consolidated Statements of Financial Position – Amounts due from/to shareholders " and Note 20 in the section headed "Accountants' Report on Our Original Group for the years ended 31 December 2016, 2017 and 2018" in Appendix I to this prospectus for further information.

As at 31 December 2018, all of Vastec HK's amounts due to shareholders have been fully settled. Please refer to Note 21 in the section headed "Accountants' Report on Vastec for the years ended 31 December 2016, 2017 and 2018" in Appendix II to this prospectus for further information.

Save as disclosed above, there was no inter-company loan or non-trade balance between our Group and our Controlling Shareholders as at 31 December 2018. Our Directors confirm that all amounts due to/from our Controlling Shareholders which are of non-trade nature will be fully settled before Listing.

We intend to apply approximately 44.8% of the net proceeds of the Global Offering, or HK$461.7 million, to repay the outstanding amount of RMB406,305,280 under and fully redeem the promissory note in the principal amount of RMB411,305,280 issued in favour of Huatuo by our Company on 25 January 2019, being part of the consideration for the Acquisition. Specifically, the outstanding amount of RMB406,305,280 under the promissory note will be repaid 30 days from the Listing and when the net proceeds of the Global Offering have been received and are available to fully redeem the promissory note, unless upon the occurrence of certain events set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors – Phase 2: Pre-IPO Investment in 2019 with Huatuo" in this prospectus for details.

During the Track Record Period, members of our Group have demonstrated their ability to raise financing from commercial banks without any credit support from our Controlling Shareholders save as disclosed above. Our Directors accordingly believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Having considered the above, our Directors are of the view that our Group is capable of carrying on its business independently from our Controlling Shareholders and their close associates upon Listing.

FINANCIAL REPORTING AND DISCLOSURE BY SHINVA

Shinva's shares are listed on the Shanghai Stock Exchange (stock code: 600587) and is therefore subject to the SSE Stock Listing Rules and other relevant regulations. Shinva publishes its consolidated annual, interim and quarterly financial information pursuant to the SSE Stock Listing Rules and other relevant regulations on a periodic basis, which may include financial information of our Group (the "**Shinva Financial Information**"). Shinva may also from time to time be required to disclose information relating to certain financial information of our Group pursuant to the SSE Stock Listing Rules and other relevant regulations. Specifically, on 24 January 2019, in response to the Shanghai Stock Exchange's letter dated 11 January 2019 in connection with the Acquisition, Shinva was asked to disclose, among others, Vastec (Shanghai)'s and Dacheng (Shanghai)'s respective expected operating revenue, operating cost, gross profit margin and operating profit margin for the year ending 31 December 2023, as part of the valuation process and basis of value for the Acquisition (the "**Acquisition Announcement**"). The Shanghai Stock Exchange's letter and Shinva's replies are both available in the public domain.

Shinva prepares its financial information under PRC GAAP on a consolidated basis pursuant to the requirements of the SSE Stock Listing Rules and other relevant regulations, whereas our consolidated financial information is prepared in accordance with IFRSs. Both the Shinva Financial Information and the Acquisition Announcement have not been prepared by us. Any such financial results and estimates do not necessarily contain financial information that is accurate and precise with respect to our Group as generally required or intended under the Listing Rules or had such information been prepared by us. Accordingly, while the historical financial results and estimates published by Shinva and prepared in accordance with PRC GAAP contained certain financial information of our Group, investors are advised not to place any reliance on such disclosure in making any investment decisions. Such disclosure is different from our Group's financial results as disclosed in this prospectus covering the years ended 31 December 2016, 2017 and 2018 prepared in accordance with IFRSs.

Both the Shinva Financial Information and the Acquisition Announcement may contain forward-looking financial estimates relating to our Group. Shinva has full and independent discretion as to the determination of such forward-looking information by considering factors that it deems appropriate and relevant for its reporting and disclosure purposes. Forward-looking information involves risks and uncertainties that could significantly affect anticipated results in the future. As such, our results may differ from those expressed in any such forward-looking statements made by Shinva. Both the Shinva Financial Information and the Acquisition Announcement have not been prepared by us, and there is no indication or assurance from us that our actual results will be close to or resemble the estimated figures contained therein. Therefore, in making any investment decisions, investors are advised not to place any reliance on the Shinva Financial Information and the Acquisition Announcement. Please refer to the section headed "Risk Factors" in this prospectus for more information on these risks and uncertainties.

We have entered into certain transactions with our connected persons (as defined under Chapter 14A of the Listing Rules) which will continue following the Listing and will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Upon Listing, the following parties, with which our Group has entered into certain transactions in the ordinary and usual course of business, will become connected persons of our Group:

Mr. Ho	Mr. Ho is a connected person of our Group by virtue of being an executive Director, the Chairman, the Chief Executive Officer and a Controlling Shareholder of our Company. By virtue of the Common Control Confirmation, the Founding Group comprising Mr. Ho, Mr. Leung and Mr. Lin and their respective wholly-owned investment holding companies, namely KS&KL, King Sun and Lucan Investment, will collectively own and control approximately 34.78% of the issued share capital of our Company upon Listing (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme).
Mr. Leung	Mr. Leung is a connected person of our Group by virtue of being an executive Director, the Chief Operating Officer and a Controlling Shareholder of our Company.
Mr. Lin	Mr. Lin is a connected person of our Group by virtue of being an executive Director, the General Manager and a Controlling Shareholder of our Company.
Mr. Yao Lin	Mr. Yao Lin is a substantial shareholder of IVD China and a director of IVD (Shanghai), and hence a connected person of our Company at the subsidiary level. He holds 12.45% issued share capital of IVD China as at the Latest Practicable Date.

Members of the Shinva Group	Huatuo will own and control approximately 33.27% of the issued share capital of our Company upon Listing (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Options or the options granted or to be granted under the ESOP or the Share Option Scheme). As such, Huatuo and its associates, comprising Shinva (being the holding company) and each member of the Shinva Group (being the fellow subsidiaries), are connected persons of our Group. The Shinva Group is primarily engaged in the research and development, manufacturing and sale of medical equipment and pharmaceutical equipment as well as the provision of healthcare services.
Jinqiao Vastec (Beijing) Medical Devices Co., Ltd.* (金橋威士達(北京)醫療器械有限公司) ("**Jinqiao Medical**")	Jinqiao Medical is a company in which Mr. Yao Lin holds 100% equity interest as at the Latest Practicable Date. Jinqiao Medical is therefore a connected person of our Company at the subsidiary level. Jinqiao Medical is principally engaged in the sales, marketing and provision of after-sales services in respect of IVD analysers, reagents and consumables.
Beijing Modern Vastec Medical Devices Co., Ltd.* (北京現代威士達醫療器械有限公司) ("**Beijing Medical**")	Beijing Medical is a company in which Mr. Yao Lin holds 98% equity interest, with the remaining 2% equity interest held by an independent third party, as at the Latest Practicable Date. Beijing Medical is therefore a connected person of our Company at the subsidiary level. Beijing Medical is principally engaged in the sales, marketing and provision of after-sales services in respect of IVD analysers, reagents and consumables.

Beijing Sanpin Medical Technology Co., Ltd.* (北京三品醫療科技有限公司) ("**Beijing Sanpin**")	Beijing Sanpin is a company in which Mr. Yao Tianyi, the son of Mr. Yao Lin, holds 100% equity interest as at the Latest Practicable Date. Beijing Sanpin is therefore a connected person of our Company at the subsidiary level. Beijing Sanpin is principally engaged in the sales, marketing and provision of after-sales services in respect of IVD analysers, reagents and consumables.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon Listing, the transactions set forth below will constitute non-exempt continuing connected transactions for our Company under Chapter 14A of the Listing Rules:

(A) Rental of premises from the Founding Group

Description of the transaction

Our Group (as tenant) has been leasing from the Founding Group and its associates (as landlord) their owned premises in Hong Kong and the PRC for office use and for dormitory use, subject to the terms and conditions of the relevant tenancy agreements. Below sets out particulars of the terms of the relevant tenancy agreements (together, the "**Founding Group Tenancy Agreements**"):

	Premise	Landlord	Tenant	Annual rental fee	Term	Usage
(i)	Rooms 610-614, 6/F, No. 30, Lane 2419, Hunan Road, Pudong Xinqu, Shanghai, the PRC	Mr. Lin	Dacheng (Shanghai)	RMB1,884,528, calculated at the rate of RMB157,044 per month for 2018, with a 10% increase per annum thereafter	1 April 2018 to 31 March 2021	Office use
(ii)	Room 1703, Grandtech Centre, 8 On Ping Street, Sha Tin, New Territories, Hong Kong	Mr. Ho and Mr. Leung	Vastec HK	HK$360,000, calculated at the rate of HK$30,000 per month	1 January 2019 to 31 December 2020	Office use

	Premise	Landlord	Tenant	Annual rental fee	Term	Usage
(iii)	Room 602, Building 6, Lane 299, Bisheng Road, Zhangjiang Hi-Tech Park, Pudong Xinqu, Shanghai, the PRC	Mr. Ho and Mr. Leung	Vastec (Shanghai)	RMB422,820, calculated at the rate of RMB35,235 per month	21 January 2019 to 31 July 2020	Office use
(iv)	Room 102, Building 6, Lane 299, Bisheng Road, Zhangjiang Hi-Tech Park, Pudong Xinqu, Shanghai, the PRC	Mr. Ho and Mr. Leung	Vastec (Shanghai)	RMB422,820, calculated at the rate of RMB35,235 per month	21 January 2019 to 31 March 2020	Office use
(v)	Room 506, Building 1, Wang Xin Double Layer International Tower, No. 1785 Jiang Han Road, Changhe Street, Binjiang District, Hangzhou, the PRC	Mr. Ho, Mr. Leung, the spouse of Mr. Ho and the spouse of Mr. Leung	Vastec (Shanghai)	RMB187,560, calculated at the rate of RMB15,630 per month	1 January 2018 to 31 December 2020	Office use
(vi)	Room 303, Building 1, Wang Xin Double Layer International Tower, No. 1785 Jiang Han Road, Changhe Street, Binjiang District, Hangzhou, the PRC	Mr. Ho, Mr. Leung, the spouse of Mr. Ho and the spouse of Mr. Leung	Vastec (Shanghai)	RMB212,436, calculated at the rate of RMB17,703 per month	1 January 2018 to 31 December 2020	Office use
(vii)	Room 1602, Building 5, Lane 2580, Jin Xiu Road, Pudong Xinqu, Shanghai, the PRC	Spouse of Mr. Ho	Vastec (Shanghai)	RMB600,000, calculated at the rate of RMB50,000 per month	21 January 2019 to 31 July 2020	Dormitory use
(viii)	Room 2802, No. 21, Lane 1299, Ding Xiang Road, Pudong Xinqu, Shanghai, the PRC	Spouse of Mr. Leung	Vastec (Shanghai)	RMB360,000, calculated at the rate of RMB30,000 per month	21 January 2019 to 31 March 2020	Dormitory use

Historical transaction amounts

For the years ended 31 December 2016, 2017 and 2018, the aggregate amount of rental fees paid by our Group to the Founding Group and its associates amounted to approximately RMB4,056,000, RMB4,156,000 and RMB4,312,000, respectively.

Pricing policy

The annual rental fee payable under the Founding Group Tenancy Agreements have been determined after arm's length negotiations between the parties thereto with reference to the prevailing market rates in respect of similar premises in the vicinity. Our Directors consider that the annual rental fee payable under the Founding Group Tenancy Agreements is fair, reasonable and comparable to the prevailing market rates for similar premises in the vicinity.

Annual caps and basis

Our Directors estimate that the aggregate amount of rental fee payable by our Group to the Founding Group and its associates under the Founding Group Tenancy Agreements for the years ending 31 December 2019, 2020 and 2021 are approximately RMB4,549,000, RMB4,751,000 and RMB4,974,000, respectively. The proposed annual caps reflect the rental fee stipulated in the Founding Group Tenancy Agreements, which are determined with reference to: (i) the historical transaction amounts between our Group and the Founding Group and its associates; and (ii) the prevailing market rates for similar premises in the vicinity.

(B) Rental of premises from the Shinva Group

Description of the transaction

Vastec (Shanghai) (as tenant) has been leasing from the Shinva Group (as landlord) its owned premises in the PRC for office use and for warehouse use, subject to the terms and conditions of the relevant tenancy agreements. Below sets out particulars of the terms of the relevant tenancy agreements (together, the "**Shinva Group Tenancy Agreements**"):

	Premise	Landlord	Tenant	Annual rental fee	Term	Usage
(i)	3F, Area B, Building 22, No. 26 Fengtai Science and Technology Park, Fengtai District, Beijing, the PRC	Shinva	Vastec (Shanghai)	RMB256,874, calculated at the rate of RMB2.72 per square metre per day	1 January 2019 to 31 December 2019	Warehouse use

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

Historical transaction amounts

For the years ended 31 December 2016, 2017 and 2018, the aggregate amount of rental fee paid by Vastec (Shanghai) to the Shinva Group amounted to approximately RMB261,000, RMB345,000 and RMB3,901,000, respectively.

Pricing policy

The annual rental fee payable under the Shinva Group Tenancy Agreements have been determined after arm's length negotiations between the parties thereto with reference to the prevailing market rates in respect of similar premises in the vicinity. Our Directors consider that the annual rental fee payable under the Shinva Group Tenancy Agreements is fair, reasonable and comparable to the prevailing market rates for similar premises in the vicinity.

Annual caps and basis

Our Directors estimate that the aggregate amount of rental fee payable by Vastec (Shanghai) to the Shinva Group under the Shinva Group Tenancy Agreements for the years ending 31 December 2019, 2020 and 2021 are approximately RMB3,902,000, RMB3,910,000 and RMB4,090,000, respectively. The proposed annual caps reflect the rental fee stipulated in the Shinva Group Tenancy Agreements, which are determined with reference to: (i) the historical transaction amounts between Vastec (Shanghai) and the Shinva Group; and (ii) the prevailing market rates for similar premises in the vicinity.

(C) Provision of after-sales services by Beijing Medical to Our Group

Description of the transaction

We engage Beijing Medical to provide after-sales services, including installation, maintenance, technical support and training with respect to IVD products, to our customers, mainly comprising second-tier distributors, hospitals and healthcare institutions. Given the long-term cooperative relationship between our Group and Beijing Medical in the past and the expertise and experience of Beijing Medical in providing relevant after-sales services in respect of the types of IVD products sold by our Group to our customers, our Group is expected to continue to engage Beijing Medical to provide such after-sales services to our customers in our ordinary and usual course of business from time to time.

In order to comply with the requirements under the Listing Rules after the Listing, including that a written agreement shall be entered into directly between our Group and the connected person for the relevant connected transaction, and also for the purpose of facilitating the reporting requirement pursuant to the Listing Rules, our Company (for itself and on behalf of its subsidiaries) streamlined the abovementioned transaction and entered into a framework agreement with Beijing Medical in respect of the provision of after-sales services by Beijing Medical to our Group.

After-sales Services Framework Agreement

The After-sales Services Framework Agreement is a three-year framework agreement which provides for a mechanism for the operation of the aforesaid connected transaction. It is envisaged that from time to time and as required, individual service agreements and/or service orders may be required to be entered into between members of our Group and Beijing Medical. Each individual service agreement and/or service order will set out the details, specifications and service prices of the services to be engaged by our Group from Beijing Medical. The individual service agreements and/or service orders may only contain provisions which are consistent with the binding principles, guidelines, terms and conditions set out in the After-sales Services Framework Agreement. As the individual service agreements and/or service orders are simply further elaborations of the services contemplated by the After-sales Services Framework Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Historical transaction amounts

The aggregate amount of service fees paid by our Group to Beijing Medical for the provision of such after-sales services for the years ended 31 December 2016, 2017 and 2018 were approximately RMB3,913,000, RMB4,159,000 and RMB4,375,000, respectively.

Pricing policy

The after-sales services to be procured from Beijing Medical by our Group under the After-sales Services Framework Agreement will be determined with reference to the basis of reasonable cost plus reasonable profit margin and by reference to the historical price. Specifically, reference will be made to the relevant costs in connection with the provision of such after-sales services, including the cost for travelling, accommodation, personnel, equipment components and/or consumables, which could vary based on different types of IVD products and after-sales services.

Annual caps and basis

The estimated total service fees payable by our Group to Beijing Medical for the provision of after-sales services under the After-sales Services Framework Agreement for the years ending 31 December 2019, 2020 and 2021 shall be no more than RMB7,000,000, RMB8,108,000 and RMB9,417,000, respectively. The aforesaid amounts are estimated with reference to the expected increase in the number of equipment newly installed (for which such after-sales services are to be provided) in line with our organic growth, as well as the expected increase in the unit price of after-sales services.

(D) Sale of IVD Analysers and Reagents by Our Group to the Connected Distributors

Description of the transaction

Our Group is expected to continue to engage the Connected Distributors (as defined below) as our distributors and/or agents for the sale of our self-developed and other branded IVD reagents including c-reactive protein reagents, procalcitonin reagents and hypersensitive c-reactive protein reagents, as well as IVD analysers, to Mr. Yao Lin, Jinqiao Medical, Beijing Medical and Beijing Sanpin (collectively, the "**Connected Distributors**") in our ordinary and usual course of business from time to time.

In order to comply with the requirements under the Listing Rules after the Listing, including that a written agreement shall be entered into directly between our Group and the connected person for the relevant connected transaction, and also for the purpose of facilitating the reporting requirement pursuant to the Listing Rules, our Company (for itself and on behalf of its subsidiaries) streamlined the abovementioned transaction and entered into a framework agreement with the Connected Distributors in respect of the sale of IVD analysers and/or reagents by our Group to the Connected Distributors.

IVD Analyser and Reagent Sale Framework Agreement

The IVD Analyser and Reagent Sale Framework Agreement is a three-year framework agreement which provides for a mechanism for the operation of the aforesaid connected transaction. It is envisaged that from time to time and as required, individual distribution agreements and/or purchase orders may be required to be entered into between our Group and the Connected Distributors. Each individual distribution agreement and/or purchase order will set out the details, specifications and unit prices of the IVD analysers and/or reagents to be sold by our Group to the Connected Distributors. The individual distribution agreements and/or purchase orders may only contain provisions which are consistent with the binding principles, guidelines, terms and conditions set out in the IVD Analyser and Reagent Sale Framework Agreement. As the individual distribution agreements and/or purchase orders are simply further elaborations of the sale contemplated by the IVD Analyser and Reagent Sale Framework Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Historical transaction amounts

The aggregate amount of purchase fees paid by the Connected Distributors to our Group for the sale of IVD analysers and/or reagents for the years ended 31 December 2016, 2017 and 2018 were approximately RMB47,117,000, RMB59,744,000 and RMB57,431,000, respectively.

Pricing policy

The IVD analysers and/or reagents to be sold to the Connected Distributors under the IVD Analyser and Reagent Sale Framework Agreement will be determined with reference to the state-prescribed prices. Where there is no state-prescribed price, reference will be made to the relevant state-recommended price. Where there is no state-prescribed price and state-recommended price, reference will be made to the regional market price of the same or comparable types of IVD analysers and/or reagents that are sold to independent customers by our Group under normal commercial terms in the ordinary course of business, after taking into account our marketing and after-sales expenses. The profit margin that we derive from the sale of IVD analysers and/or reagents to the Connected Distributors and the terms of such sale shall be comparable to those offered to independent customers and shall be no more favourable to the Connected Distributors. Where there is no state-prescribed price, state-recommended price and regional market price, the sales price will be determined based on the expected rate of return for the products with reference to the weighted average of historical returns.

Annual caps and basis

The estimated total sale fees for the IVD analysers and/or reagents sold by our Group to the Connected Distributors under the IVD Analyser and Reagent Sale Framework Agreement for the years ending 31 December 2019, 2020 and 2021 shall be no more than RMB64,800,000, RMB71,150,000 and RMB77,900,000, respectively. The aforesaid amounts are estimated with reference to (i) the historical transaction amounts and existing distribution agreements and/or purchase orders entered into between our Group and the Connected Distributors, which demonstrate that the market demand for the IVD analysers and/or reagents to be distributed by the Connected Distributors has been stable and, as such, is expected to grow steadily, (ii) the expected demand for and sale of IVD analysers and/or reagents for the years ending 31 December 2019, 2020 and 2021, which is expected to increase in line with our organic growth and business expansion. Specifically, the demand from and sale to Beijing Medical and Jinqiao Medical of Sysmex' haemostasis products is expected to grow at approximately 8% per annum, contributing to the projected increase in the demand for and sale of such IVD analysers and/or reagents going forward, and (iii) the estimated market price of such IVD analysers and/or reagents in the PRC market.

Implications under the Listing Rules

The Founding Group Tenancy Agreements: As the highest applicable percentage ratio (other than the profits ratio) in respect of the transaction contemplated under the Founding Group Tenancy Agreements is expected to be more than 0.1% but less than 5% on an annual basis, the transaction under the Founding Group Tenancy Agreements is subject to the reporting, annual review, announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shinva Group Tenancy Agreements: As the highest applicable percentage ratio (other than the profits ratio) in respect of the transaction contemplated under the Shinva Group Tenancy Agreements is expected to be more than 0.1% but less than 5% on an annual basis, the transaction under the Shinva Group Tenancy Agreements is subject to the reporting, annual review, announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

After-sales Services Framework Agreement: As the highest applicable percentage ratio (other than the profits ratio) in respect of the transaction contemplated under the After-sales Services Framework Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transaction under the After-sales Services Framework Agreement is subject to the reporting, annual review, announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The IVD Analyser and Reagent Purchase Framework Agreement: As the highest applicable percentage ratio (other than the profits ratio) in respect of the transaction contemplated under the IVD Analyser and Reagent Purchase Framework Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transaction under the IVD Analyser and Reagent Purchase Framework Agreement is subject to the reporting, annual review, announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The IVD Analyser and Reagent Sale Framework Agreement: As the highest applicable percentage ratio (other than the profits ratio) in respect of the transaction contemplated under the IVD Analyser and Reagent Sale Framework Agreement is expected to be more than 5% on an annual basis, the transaction under the IVD Analyser and Reagent Sale Framework Agreement is subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Application for waiver

As the continuing connected transactions contemplated under each of the Founding Group Tenancy Agreements, the Shinva Group Tenancy Agreements, the After-sales Services Framework Agreement, the IVD Analyser and Reagent Purchase Framework Agreement and the IVD Analyser and Reagent Sale Framework Agreement (collectively, the "**CCT Agreements**") will continue after the Listing on a recurring basis, our Directors consider that strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules (as applicable) would be unduly burdensome and would incur unnecessary administrative costs to our Company each time when such transactions arise. Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules in respect of the non-exempt continuing connected transactions subject to the following: (i) the above non-exempt continuing connected transactions will be carried out in compliance with the Listing Rules, and, as such Chapter 14A waiver is limited to the tenure of the relevant CCT Agreements, we shall re-comply with the relevant requirements for continuing connected transactions in accordance with Chapter 14A of the Listing Rules when the relevant CCT Agreements are renewed, and (ii) the aggregate value of such non-exempt continuing connected transactions for the years ending 31 December 2019, 2020 and 2021 shall not exceed the relevant annual cap amounts set forth above.

Confirmation from our Directors

Our Directors (including the independent non-executive Directors) confirm that (i) the above continuing connected transactions have been and shall be entered into in the ordinary and usual course of our Group's business and are based on normal commercial terms that are fair and reasonable and in the interest of the Shareholders as a whole, and (ii) the proposed annual caps for the above continuing connected transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Confirmation from the Sole Sponsor

The Sole Sponsor considers that (i) the non-exempt continuing connected transactions contemplated under the CCT Agreements have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, and fair and reasonable and in the interest of the Shareholders as a whole, and (ii) the annual caps set for the above continuing connected transactions contemplated under the CCT Agreements are fair and reasonable and in the interest of our Group and Shareholders as a whole.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions of our Group, which are exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(A) Purchase of goods from Beijing Medical and Jinqiao Medical by our Group

During the Track Record Period, we purchased from Beijing Medical and Jinqiao Medical consumables such as cleaning solutions for IVD analysers as well as reagent shelves. During the Track Record Period, we did not enter into individual purchase agreements with Beijing Medical and Jinqiao Medical. Instead, we placed purchase orders for the goods purchased. For the years ended 31 December 2016, 2017 and 2018, the aggregate historical transaction amounts for the purchase of goods from Beijing Medical and Jinqiao Medical by our Group were approximately RMB150,000, RMB9,000 and RMB103,000, respectively. We estimate that the aggregate amount payable by our Group for the purchase of goods from Beijing Medical and Jinqiao Medical for the years ending 31 December 2019, 2020 and 2021 are approximately RMB200,000, RMB220,000 and RMB242,000, respectively. The aforesaid amounts are estimated with reference to the historical transaction amounts and existing purchase orders entered into between our Group and Beijing Medical and Jinqiao Medical, as well as the expected demand for and purchases of such goods for the years ending 31 December 2019, 2020 and 2021, which is expected to increase in line with our organic growth and business expansion.

As the applicable percentage ratio in respect of the transaction is expected to be less than 5% on an annual basis and the annual total consideration is less than HK$3 million, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transaction constitutes a *de minimis* continuing connected transaction and is fully exempt from independent shareholders' approval, reporting, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

(B) Purchase of IVD analysers and reagents by our Group from the Shinva Group

We are a regional distributor of certain IVD products manufactured and/or nationally distributed by the Shinva Group, including protein-based immunoassay analysers and reagents. We also purchase certain microbiological testing products specialised for detecting infectious diseases from members of the Shinva Group in the course of providing solution services to our hospital customers. For the years ended 31 December 2016, 2017 and 2018, the aggregate historical transaction amounts for the purchase of IVD analysers and/or reagents paid by our Group to the Shinva Group were approximately RMB470,000, RMB14,000 and RMB696,000, respectively. Our Group is expected to continue to purchase from members of the Shinva Group such IVD analysers and/or reagents in our ordinary and usual course of business from time to time. We estimate that the aggregate amount payable by our Group for the purchase of IVD analysers and/or reagents to the Shinva Group for the years ending 31 December 2019, 2020 and 2021 are approximately RMB706,000, RMB899,000 and RMB1,172,500, respectively. The aforesaid amounts are estimated with reference to the historical transaction amounts and existing purchase orders entered into between our Group and the Shinva Group, as well as the expected demand for and purchases of such goods for the years ending 31 December 2019, 2020 and 2021.

As the applicable percentage ratio in respect of the transaction is expected to be less than 5% on an annual basis and the annual total consideration is less than HK$3 million, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transaction constitutes a *de minimis* continuing connected transaction and is fully exempt from independent shareholders' approval, reporting, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

(C) Trademark licence

During the Track Record Period, we had granted the use of "VASTEC 威士达" (the "**Trademark**") registered in the PRC to Jinqiao Medical without receiving royalty or cost. In anticipation of the Listing, we have entered into a three-year trademark licencing agreement with Jinqiao Medical in February 2019 for the use of Trademark. Pursuant to the trademark licencing agreement, we granted Jinqiao Medical the right to use the Trademark in relation to the business of our Group in the PRC for a one-time payment of RMB100,000. We also have in place an internal trademark licencing and management policy, which provides for guidelines on trademark licencing and authorised use by our distributors.

As the applicable percentage ratio in respect of the transaction is expected to be less than 5% on an annual basis and the annual total consideration is less than HK$3 million, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transaction constitutes a *de minimis* continuing connected transaction and is fully exempt from independent shareholders' approval, reporting, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period (the "**Related Party Transactions**"). Details of the Related Party Transactions are set out in Note 28 in the section headed "Accountants' Report on Our Original Group for the years ended 31 December 2016, 2017 and 2018" in Appendix I to this prospectus.

BOARD OF DIRECTORS

Our Board consists of nine members, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The duties and powers conferred on our Board include, among other matters:

- performing corporate governance duties;
- convening Shareholders' meetings and reporting to Shareholders;
- implementing Shareholders' resolutions;
- formulating our Company's business plans and investment plans;
- formulating our Company's annual budget and final accounts;
- formulating our Company's proposals for profit distributions and recovery of losses;
- formulating our Company's proposals for the increase or reduction of registered capital; and
- exercising other duties and powers as conferred by the Articles of Association.

Our Board is responsible and has the general power for the management and conduct of our business.

The following table sets forth information regarding the members of our Board:

Name	Age	Time of joining our Group	Position	Date of appointment as Director	Major duties and responsibilities
Ho Kuk Sing (何鞠誠)	60	April 1993	Chairman, executive Director and Chief Executive Officer	27 May 2016	Responsible for the overall strategic planning and development of our Group
Leung King Sun (梁景新)	61	April 1993	Executive Director and Chief Operating Officer	27 May 2016	Responsible for the overall management and operations including management of capital, finance and logistics, customer services, human resources and administrative matters of our Group

Name	Age	Time of joining our Group	Position	Date of appointment as Director	Major duties and responsibilities
Lin Xianya (林賢雅)	43	February 2000	Executive Director and General Manager	15 January 2016	Responsible for overseeing the business development of our Group
Chen Xingang (陳心剛)	44	February 2014	Non-executive Director	21 June 2016	Responsible for providing advice on strategies to our Group
Yang Zhaoxu (楊兆旭)	55	June 2018	Non-executive Director	25 January 2019	Responsible for providing advice on strategies to our Group
Chan Kwok King, Kingsley (陳國勁)	42	June 2016	Non-executive Director	21 June 2016	Responsible for providing advice on strategies to our Group
Lau Siu Ki (劉紹基)	60	June 2019	Independent Non-executive Director	21 June 2019	Responsible for overseeing the management of our Group independently
Zhong Renqian (仲人前)	56	June 2019	Independent Non-executive Director	21 June 2019	Responsible for overseeing the management of our Group independently
Leung Ka Sing (梁嘉聲)	68	June 2019	Independent Non-executive Director	21 June 2019	Responsible for overseeing the management of our Group independently

EXECUTIVE DIRECTORS

Mr. Ho Kuk Sing (何鞠誠), aged 60, is the Chairman, the Chief Executive Officer of our Company and an executive Director primarily responsible for the overall strategic planning and development of our Group. He was appointed as a Director on 27 May 2016 and was designated as the Chairman, the Chief Executive Officer of our Company and an executive Director on 21 June 2019.

Mr. Ho is one of the founders of our Group and has over 33 years of experience in the IVD industry. He serves as a director of IVD International, IVD China, Dacheng (Shanghai), IVD (Shanghai), Suzhou DiagVita, Digital HK, Vastec HK and Vastec (Shanghai). He founded Vastec HK in August 1993 and has been the chief executive officer of Vastec HK since May 1995. Prior to joining our Group, Mr. Ho worked as a technical specialist, a technology and marketing manager and a marketing and business manager in Instrumentation Laboratory (Far East) Ltd. (merged with Coulter Electronics (Hong Kong) Ltd in November 1992), a company principally engaged in the development, manufacturing and distribution of IVD products, from January 1985 to December 1987, from December 1987 to January 1992 and from January 1992 to October 1992, respectively. He served in various positions including a marketing manager and a regional business manager in Coulter Electronics (Hong Kong) Ltd from November 1992 to February 1995.

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

Mr. Leung King Sun (梁景新), aged 61, is the Chief Operating Officer of our Company and an executive Director primarily responsible for the overall management and operations of our Group, including management of capital, finance and logistics, customer services, human resources and administrative matters of our Group. He was appointed as a Director on 27 May 2016 and was designated as the Chief Operating Officer of our Company and an executive Director on 21 June 2019.

Mr. Leung is one of the founders of our Group and has over 25 years of experience in the IVD industry. He serves as a director of IVD International, IVD China, Dacheng (Shanghai), IVD (Shanghai), Suzhou DiagVita, Digital HK, Vastec HK and Vastec (Shanghai). He founded Vastec HK in August 1993 and has been the chief operating officer of Vastec HK since May 1995.

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

Mr. Lin Xianya (林賢雅), aged 43, is the General Manager of our Company and an executive Director primarily responsible for overseeing the business development of our Group. He was appointed as a Director on 15 January 2016 and was designated as the General Manager of our Company and an executive Director on 21 June 2019.

Mr. Lin has over 19 years of experience in the IVD industry. He founded Dacheng (Shanghai) in February 2011 and has been the general manager of Dacheng (Shanghai) since April 2011. He also serves as a director of IVD International. Prior to establishing Dacheng (Shanghai) in February 2011, Mr. Lin worked in Vastec (Shanghai) as a sales manager from February 2000 to January 2008 and as a sales director from January 2008 to March 2011, during which time he was primarily responsible for sales management.

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

NON-EXECUTIVE DIRECTORS

Mr. Chen Xingang (陳心剛), aged 44, is a non-executive Director primarily responsible for providing advice on strategies to our Group. He was appointed as a Director on 21 June 2016 and was designated as a non-executive Director on 21 June 2019. Mr. Chen joined our Group in February 2014 and served as a director of Vastec (Shanghai) and Vastec HK since then.

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

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

Mr. Yang Zhaoxu (楊兆旭), aged 55, is a non-executive Director primarily responsible for providing advice on strategies to our Group. He was appointed as a Director on 25 January 2019 and was designated as a non-executive Director on 21 June 2019. Mr. Yang joined our Group in June 2018 and served as a director of Vastec (Shanghai) from June 2018 to May 2019.

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

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

Mr. Chan Kwok King, Kingsley (陳國勁), aged 42, is a non-executive Director primarily responsible for providing advice on strategies to our Group. He was appointed as a Director on 21 June 2016 and was designated as a non-executive Director on 21 June 2019.

Mr. Chan is a managing director of Morgan Stanley. Mr. Chan joined Morgan Stanley in 2007 and is responsible for the private equity investment business in China. Mr. Chan currently holds directorship in various companies invested by Morgan Stanley as its representative. He is at the same time an observer on the board of Yirendai Ltd (stock code: YRD), a company listed on The New York Stock Exchange. Prior to joining Morgan Stanley, Mr. Chan worked at the investment banking division of Citigroup from 1999 to 2004 and Credit Suisse from 2004 to 2007.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Siu Ki (劉紹基), aged 60, was appointed as an independent non-executive Director on 21 June 2019. He is responsible for overseeing the management of our Group independently.

Mr. Lau has approximately 20 years of experience in providing advisory services on finance and accounting, company secretarial and corporate governance to listed and unlisted companies in Hong Kong. He worked in Ernst & Young, an international accounting firm, from 1981 to 1997. He has acted as a director of Hin Yan Consultants Limited since 1999, for which Mr. Lau provides financial and corporate secretarial advisory services.

Mr. Lau currently holds various positions in the following companies listed on the Main Board or GEM of the Stock Exchange:

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

Mr. Lau also acted as an independent non-executive director of TCL Communication Technology Holdings Limited (Stock Code: 2618) from April 2004 to October 2016, UKF (Holdings) Limited (Stock Code: 1468) from March 2015 to March 2016 and China Medical & Healthcare Group Limited (Stock Code: 383) from June 2004 to December 2018. In addition, he acted as an independent supervisor of Beijing Capital International Airport Co., Ltd. (Stock Code: 694) from June 2014 to June 2017, each being a company listed on the Main Board of the Stock Exchange. Mr. Lau was a director of Latchfield Investment Limited, a dormant company incorporated in Hong Kong, which was struck off from the register of companies in March 1999 for its failure to file annual returns for two consecutive years.

Accordingly to the latest available annual reports of the aforementioned listed companies, Mr. Lau has attended almost all of their committee, board and general meetings in the relevant financial years. Based on Mr. Lau's satisfactory attendance record in the meetings of the aforementioned listed companies and his extensive experience in acting as an independent non-executive director of a number of listed companies, our Directors are of the view that Mr. Lau will be able to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director of our Company.

Mr. Lau graduated from The Hong Kong Polytechnic (now The Hong Kong Polytechnic University) with a Higher Diploma in Accountancy in November 1981. He has been admitted as a fellow of the Association of Chartered Certified Accountants ("**ACCA**") and the Hong Kong Institute of Certified Public Accountants on 1 November 1989 and 15 April 1997, respectively. Mr. Lau was a member of the World Council of ACCA from 2002 to 2011, a member and the president of the committee of the Hong Kong Branch of ACCA from 1995 to 2011 and in 2000/2001, respectively. Accordingly, taking into account Mr. Lau's past experiences and qualifications, our Company takes the view that he is experienced in handling accounting and financial work of our Company, familiar with the financial statements, the internal control and risk management system of listed companies and has the appropriate accounting and related financial management expertise.

Dr. Zhong Renqian (仲人前), aged 56, was appointed as an independent non-executive Director on 21 June 2019. He is responsible for overseeing the management of our Group independently.

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

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

Mr. Leung Ka Sing (梁嘉聲), aged 68, was appointed as an independent non-executive Director on 21 June 2019. He is responsible for overseeing the management of our Group independently.

Mr. Leung has over 38 years of experience in chemistry, food science and safety management and occupational health and safety. From August 1980 to May 1986, he served as a technical director of Instrumentation Laboratory (Far East) Ltd., specialising in technical marketing and support in atomic spectroscopy. From June 1986 to July 1996, he served as a chemist in the Government Laboratory, specialising in quality management and the inspection of food and radiochemistry. From July 1996 to December 2001, he was seconded to the Labour Department where he served as a senior chemist, specialising in occupational health and safety, and from December 2001 to October 2006, he served as a senior chemist in the Food and Environmental Hygiene Department, specialising in food safety control. From October 2006 to July 2010, he was transferred back to the Government Laboratory, where he served as a senior chemist, specialising in chemical safety and food science. He has been an Adjunct Associate Professor of the Department of Applied Biology and Chemical Technology of The Hong Kong Polytechnic University since July 2010, where he undertakes the education and research of food safety and technology. Mr. Leung has participated in numerous international meetings in the fields of food safety and risk management since 2003.

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

Save as disclosed above, each of our Directors: (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; (iii) did not hold any other directorship in listed public companies in the three years prior to the Latest Practicable Date; and (iv) did not have any interest in our Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders, and there is no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management, together with our executive Directors, are responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group:

Name	Age	Time of joining our Group	Position	Date of appointment of current position	Major duties and responsibilities
Pun Fai (潘輝)	40	July 2009	General manager of IVD China	January 2016	Responsible for general management and operations of IVD China
Li Zuhou (李祖后)	44	November 2012	Vice general manager of Dacheng (Shanghai)	November 2012	Responsible for general management and operations of Dacheng (Shanghai)
Zhou Yuefeng (周越峰)	41	December 2004	Sales and marketing director of Vastec HK; marketing director and regional sales director of Vastec (Shanghai)	January 2014; January 2012 and January 2014	Responsible for sales and marketing of Vastec (Shanghai)
Zhou Chuanbo (周傳波)	40	March 2019	Chief Financial Officer of our Company	March 2019	Responsible for general financial management of our Group
Yang Bo (楊波)	42	February 2016	Financial controller of our Company	February 2019	Responsible for general financial management of our Group

Mr. Pun Fai (潘輝), aged 40, is the general manager of IVD China primarily responsible for general management and operations. Mr. Pun has over nine years of experience in the IVD industry. He joined our Group in July 2009 as the general manager of Digital HK and was appointed as the general manager of IVD China in January 2016. Prior to joining our Group, Mr. Pun worked as a senior sales executive and account manager in Siemens Healthcare Diagnostics Limited from June 2007 to December 2008 and from January 2009 to June 2009, respectively.

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

Mr. Li Zuhou (李祖后), aged 44, is the vice general manager of Dacheng (Shanghai) primarily responsible for general management and operations. Mr. Li has 17 years of experience in business management. He joined our Group in November 2012 as a vice general manager of Dacheng (Shanghai). Prior to joining our Group, Mr. Li worked as the factory manager of Cangnan County Longgang Jingcheng Gift Box Craft Factory* (蒼南縣龍港精誠禮盒工藝廠) from August 2001 to October 2012.

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

Mr. Zhou Yuefeng (周越峰), aged 41, is the sales and marketing director of Vastec HK and the marketing director and regional sales director of Vastec (Shanghai). Mr. Zhou has over 14 years of experience in sales and marketing of IVD products. He joined our Group in December 2004 as the sales representative of Vastec (Shanghai), primarily responsible for sales and marketing.

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

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

Mr. Zhou has over 14 years of financial management and accounting experience. Prior to joining our Group, he worked at PricewaterhouseCoopers China as a senior associate of the assurance department from August 2004 to April 2007. From April 2007 to April 2008, he worked at Maersk (China) Ltd.* (馬士基中國有限公司) as a deputy financial manager. From April 2008 to February 2009, he worked at TMT Multi Modal Transportation Company Limited* (上海鐵洋多式聯運有限公司), a joint venture of A.P. Moller Maersk Group, as an accounting manager of the finance department. From April 2009 to June 2014, he worked at China Risun Group Limited (中國旭陽集團有限公司) (formerly known as China Risun Coal Chemicals Group Limited (中國旭陽煤化工集團有限公司) and a company listed on the Main Board of the Stock Exchange since March 2019 (Stock Code: 1907)) as general manager of the finance department, a general manager of the company secretary department and the company secretary. From July 2014 to December 2016, he worked at China New Higher Education Group (中國新高教集團有限公司) (a company listed on the Main Board of the Stock Exchange since April 2017 (Stock Code: 2001)) as the financial director. From January 2017 to December 2018, he worked at Leysen Jewellery Inc. (萊紳通靈珠寶股份有限公司) (a company listed on the Shanghai Stock Exchange since November 2016 (Stock Code: 603900)) first as head of finance department and was subsequently appointed as the financial head in April 2017. He qualified as a chartered accountant in 2004 in the PRC, was admitted as a member of ACCA in 2010 and as a member of the Hong Kong Institute of Certified Public Accountants in 2013.

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

Mr. Yang Bo (楊波), aged 42, is the financial controller of our Company. Mr. Yang has over ten years of experience in accounting and financial management. He joined our Group in February 2016 as the financial controller of Vastec, primarily responsible for overseeing the daily operation of the finance and logistics department of Vastec HK and Vastec (Shanghai). Prior to joining our Group, Mr. Yang worked at CSSC Jiangnan Heavy Industry Co., Ltd. (中船江南重工股份有限公司), a company listed on the Shanghai Stock Exchange since 1997 (stock code: 600072), as the deputy director of finance department from 2009 to 2016 and as the assistant of the deputy director of finance department from 2007 to 2009.

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

Unless otherwise stated above, none of the members of our senior management has been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Lam Wai Yan (林惠茵), aged 43, is the company secretary of our Company. Ms. Lam has over 20 years of experience in auditing and assurance. She worked at Deloitte Touche Tohmatsu from September 1998 to December 2017, with her last position as a senior manager providing professional auditing and assurance services. Ms. Lam is currently a director of Fan, Chan & Co. Limited, a Certified Public Accountants' firm in Hong Kong.

Ms. Lam graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy in November 1998. She has been an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since April 2002 and a fellow member of the Association of Chartered Certified Accountants since November 2006. She has been a certified public accountant (practising) since March 2018.

She is currently the company secretary of Kinetix Systems Holdings Limited (Stock Code: 08606), which is listed on the GEM of the Stock Exchange.

STAFF

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees during the Track Record Period. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes during the Track Record Period.

Benefits

As required by the PRC regulations on social insurance, our PRC subsidiaries participate in the social insurance schemes operated by the relevant local government authorities, which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance.

As required by the employment laws in Hong Kong, our Group participates in the mandatory provident fund scheme to provide retirement benefits for our Hong Kong staff. Our Hong Kong staff are also entitled to medical welfare and discretionary bonus provided by our Group.

Compensation

The aggregate amount of remuneration of our Directors for the years ended 31 December 2016, 2017 and 2018 were approximately RMB1,560,000, RMB1,811,000 and RMB1,550,000, respectively. Details of the arrangement for remuneration are set out in Note 10 in the section headed "Accountants' Report on our Original Group for the Years Ended 31 December 2016, 2017 and 2018" in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors' service agreements and letters of appointment referred to in the section headed "Statutory and General Information – Further Information about Directors and Shareholders – 12. Directors – (b) Particulars of Directors' Service Contracts" in Appendix V to this prospectus, the aggregate amount of directors' fee and other emoluments payable to our Directors for the year ending 31 December 2019 is estimated to be approximately RMB8.9 million, excluding any discretionary bonuses.

The aggregate amount of salaries and other emoluments, discretionary bonuses and retirement scheme contributions paid by us to the five highest paid individuals of our Group (including our Directors) for the years ended 31 December 2016, 2017 and 2018 was approximately RMB5,462,000, RMB5,795,000 and RMB5,713,000, respectively. See Note 11 in the section headed "Accountants' Report on Our Original Group for the Years Ended 31 December 2016, 2017 and 2018" in Appendix I to this prospectus for details.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management. After the Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as inducement to join or upon joining our Company, or as compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of our Directors waived any emolument.

BOARD COMMITTEE

Audit committee

Our Company has established an audit committee with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control and risk management systems, nominate and monitor external auditors and provide advice and comments to the Board on matters related corporate governance.

Our audit committee consists of three members, being Mr. Lau Siu Ki, Mr. Zhong Renqian and Mr. Leung Ka Sing. Mr. Lau Siu Ki currently serves as the chairman of our audit committee.

Remuneration committee

Our Company has established a remuneration committee with its written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of our senior management and recommend members of the Board.

Our remuneration committee consists of three members, being Mr. Lau Siu Ki, Mr. Leung King Sun and Mr. Leung Ka Sing. Mr. Lau Siu Ki currently serves as the chairman of our remuneration committee.

Nomination committee

Our Company has established a nomination committee with its written terms of reference by reference to the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on the Board and/or in senior management.

Our nomination committee consists of three members, being Mr. Ho Kuk Sing, Mr. Lau Siu Ki and Mr. Leung Ka Sing. Mr. Ho Kuk Sing currently serves as the chairman of our nomination committee.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to our board diversity policy, we seek to achieve board diversity through the consideration of various factors such as gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Upon Listing, our nomination committee is responsible for reviewing our board diversity policy from time to time to ensure its continued effectiveness. Our implementation of the board diversity policy will be disclosed in our annual reports.

Our Directors have a mix of knowledge and skills, including overall management and strategic development, human resources, financial management and corporate governance. They obtained degrees in various majors including science, business administration, medical laboratory, finance, accountancy and medicine. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Furthermore, our Board has a range of age from the ages of 43 to 68. Taking into account our current business model and specific needs, as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

We have been taking, and will continue to take steps to promote gender diversity at the Board and management levels. In particular, our company secretary is female. In recognising the importance of gender diversity, we confirm that our nomination committee will use its best efforts, within three years from the Listing Date, to identify and recommend suitable female candidates to our Board for its consideration and we will use our best efforts to appoint one female director in our Board by the end of 2022, subject to our Directors (i) being satisfied with the competence and experience of the relevant candidate after a reasonable review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of the Company and the Shareholders as a whole when making the relevant appointments.

SHARE OPTION SCHEMES

We adopted the ESOP on 29 December 2017, which was further amended on 27 March 2019. For details of the ESOP, please refer to the section headed "Statutory and General Information – Other Information – 15. Share Option Schemes – B. ESOP" in Appendix V to this prospectus.

We also conditionally adopted the Share Option Scheme on 21 June 2019. For details of the Share Option Scheme, please see "Statutory and General Information – Other Information – 15. Share Option Schemes – A. Share Option Scheme" in Appendix V to this prospectus.

COMPLIANCE ADVISOR

Our Company has appointed Ballas Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with the compliance advisor in the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated, including but not limited to share issues and share repurchases;

(3) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operations of our Group deviate from any forecast, estimate or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance advisor shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

CORPORATE GOVERNANCE CODE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structure and internal control procedures of our Group so as to achieve effective accountability. We are of the view that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors such that there is a strong independent element on our Board, which can effectively exercise independent judgment.

Pursuant to code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual.

We do not have a separate chairman and chief executive officer, and Mr. Ho is currently performing both roles. With the extensive experience and expertise in the IVD industry, Mr. Ho is responsible for the strategic planning and development of our Group and is instrumental to our growth and business expansion. Mr. Ho has been assuming the day-to-day responsibilities of our Group since 1993. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, both of which comprise individuals with extensive experience and expertise. Given that Mr. Ho is one of the founders of our Group and has been operating and managing our Group since then, our Board believes that it is in the best interest of our Group to have Mr. Ho take up both roles for effective management and business development. In such circumstances, our Directors consider that the deviation from code provision A.2.1 of the Corporate Governance Code is appropriate. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of the chairman and chief executive officer is necessary.

Save as disclosed above, our Directors consider that, as at the Latest Practicable Date, our Company has fully complied with the applicable code provisions as set forth in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), the following persons will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity/ Nature of interest	As at the date of this prospectus		Immediately following completion of the Capitalisation Issue and the Global Offering	
		Number of Shares or securities held[1]	Approximate percentage of shareholding	Number of Shares or securities held	Approximate percentage of shareholding
Mr. Ho[2][7]	Interest in a controlled corporation	14,845,053 (L)	17.55%	175,517,429 (L)	13.16%
	Beneficial owner	1,732,157 (L)	2.05%	20,479,805 (L)	1.54%
Mr. Leung[3][7]	Interest in a controlled corporation	14,845,053 (L)	17.55%	175,517,429 (L)	13.16%
	Beneficial owner	329,935 (L)	0.39%	3,900,915 (L)	0.29%
Mr. Lin[4][7]	Interest in a controlled corporation	9,528,989 (L)	11.27%	112,664,041 (L)	8.45%
	Beneficial owner	687,364 (L)	0.81%	8,126,907 (L)	0.61%
KS&KL[2][7]	Beneficial owner	14,845,053 (L)	17.55%	175,517,429 (L)	13.16%
King Sun[3][7]	Beneficial owner	14,845,053 (L)	17.55%	175,517,429 (L)	13.16%
Lucan Investment[4][7]	Beneficial owner	9,528,989 (L)	11.27%	112,664,041 (L)	8.45%
NHPE[5]	Beneficial owner	7,835,949 (L)	9.26%	92,646,730 (L)	6.95%
Huatuo[6]	Beneficial Owner	37,523,753 (L)	44.37%	443,654,371 (L)	33.27%
Shinva[6]	Interest in a controlled corporation	37,523,753 (L)	44.37%	443,654,371 (L)	33.27%

Notes:

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

(2) Mr. Ho is the sole shareholder of KS&KL, which holds 175,517,429 Shares. Therefore, Mr. Ho is deemed to be interested in KS&KL's interest in our Shares pursuant to the SFO. The disclosed interest represents (i) the interest in our Company held by KS&KL; and (ii) options held by Mr. Ho under the ESOP.

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

(4) Mr. Lin is the sole shareholder of Lucan Investment, which holds 112,664,041 Shares. Therefore, Mr. Lin is deemed to be interested in Lucan Investment's interest in our Shares pursuant to the SFO. The disclosed interest represents (i) the interest in our Company held by Lucan Investment; and (ii) options held by Mr. Lin under the ESOP.

(5) NHPE is an investment holding company incorporated with limited liability under the laws of the Cayman Islands on 21 January 2016 and beneficially owned by North Haven Private Equity Asia IV, L.P.

(6) Huatuo is a company incorporated under the laws of Hong Kong on 28 March 2011 and wholly owned by Shinva. Therefore, Shinva is deemed to be interested in Huatuo's interest in our Shares pursuant to the SFO.

(7) By virtue of the Common Control Confirmation, Mr. Ho, Mr. Leung and Mr. Lin and their respective wholly-owned investment holding companies, namely KS&KL, King Sun and Lucan Investment, will collectively hold 463,698,899 Shares.

Save as disclosed in this section, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may result in a change of control of our Company at a subsequent date.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering:

Authorised share capital:		**Nominal value**
		(US$)
3,000,000,000	Shares of US$0.0005 each	1,500,000

Assuming the Over-allotment Option is not exercised at all, the issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering will be as follows:

Issued share capital:		**Nominal value**	**Approximate percentage of issued share capital**
		(US$)	*(%)*
84,578,797	Shares in issue as at the date of this prospectus	42,289.40	6.34
915,421,203	Shares to be issued under the Capitalisation Issue	457,710.60	68.66
333,400,000	Shares to be issued under the Global Offering	166,700.00	25.00
1,333,400,000	**Shares in total**	**666,700.00**	**100.00**

Assuming the Over-allotment Option is exercised in full, the issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering will be as follows:

Issued share capital:		Nominal value	Approximate percentage of issued share capital
		(US$)	*(%)*
84,578,797	Shares in issue as at the date of this prospectus	42,289.40	6.20
915,421,203	Shares to be issued under the Capitalisation Issue	457,710.60	67.14
363,410,000	Shares to be issued under the Global Offering	181,705.00	26.65
1,363,410,000	**Shares in total**	**681,705.00**	**100.00**

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional.

The above tables take no account of (a) Shares which may be allotted and issued upon the exercise of the options granted or to be granted under the ESOP or the Share Option Scheme, or (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the General Mandate and the Repurchase Mandate as described below.

RANKING

The Offer Shares and our Shares that may be issued pursuant to exercise of the Over-allotment Option will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and, in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on our Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

ESOP AND THE SHARE OPTION SCHEME

We adopted the ESOP on 29 December 2017, which was further amended on 27 March 2019. Under the ESOP, the eligible participants of the scheme, including directors, senior management and full-time employees of our Company or its subsidiaries, may be granted options which entitle them to subscribe for up to such number of Shares equal to 5% of the total number of the then outstanding Shares of our Company on a non-diluted basis. Immediately following completion of the Capitalisation Issue and the Global Offering, the total number of Shares which may be allotted and issued upon exercise of all the outstanding options granted under the ESOP is 32,507,627 Shares. Further details of the terms of the ESOP are summarised in the section headed "Statutory and General Information – Other Information – 15. Share Option Schemes – B. ESOP" in Appendix V to this prospectus.

We conditionally adopted the Share Option Scheme on 21 June 2019. For details of the Share Option Scheme, please see "Statutory and General Information – Other Information – 15. Share Option Schemes – A. Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options granted or to be granted under the ESOP or the Share Option Scheme, or under the Capitalisation Issue or the Global Offering or upon the exercise of the Over-allotment Option, an aggregate number of Shares not exceeding the sum of: (a) 20% of the aggregate number of issued Shares immediately following completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted under or to be granted the ESOP or the Share Option Scheme); and (b) the aggregate number of Shares which may be repurchased by our Company under the Repurchase Mandate.

This General Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

For further details of the General Mandate, please refer to the section headed "Statutory and General Information – Information about Our Company – 3. Resolutions in writing of our Shareholders passed on 21 June 2019" in Appendix V to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Capitalisation Issue and the Global Offering (but excluding any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme).

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed "Statutory and General Information – Information about Our Company – 7. Securities repurchase mandate" in Appendix V to this prospectus.

This Repurchase Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

For further details of the Repurchase Mandate, please refer to the section headed "Statutory and General Information – Information about Our Company – 3. Resolutions in writing of our Shareholders passed on 21 June 2019" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company currently only has one class of shares in issue, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders: (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) sub-divide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Islands Companies Law, reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution. For further details, please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (iii) Alteration of capital" in Appendix IV to this prospectus.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares" in Appendix IV to this prospectus.

You should read the following discussion and analysis in conjunction with our consolidated financial information, including the accompanying notes thereto, set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRSs. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. Please also see the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

Our Original Group is one of the leading distributors in the Shanghai IVD market. According to Frost & Sullivan, our Original Group was the third largest distributor in the Shanghai IVD market in 2018 with a market share of approximately 9.9% by revenue. Specifically, our Original Group's Sysmex haemostasis products had a market share of approximately 54.4% by revenue in 2018, representing the largest market share in terms of sales revenue in the Shanghai haemostasis products market. Our Original Group has been able to steadily grow our market share and profit in a highly fragmented industry by taking advantage of our competitive product portfolio and extensive hospital coverage in Shanghai. Our Original Group primarily conducted its distribution business of IVD products through its wholly-owned subsidiary Dacheng during the Track Record Period. Dacheng is primarily involved in the trading of IVD analysers, reagents and other consumables to customers including hospitals and healthcare institutions, logistics providers and distributors in Shanghai. Dacheng has been a regional distributor of Vastec, being the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC, for distribution of Sysmex' haemostasis products in Shanghai for six years. In addition, Dacheng provides solution services to the clinical laboratories for conducting centralised procurement. Our Original Group also engages in the research, development, manufacturing and sales of our self-branded IVD analysers and reagents under our own brand.

As at 31 December 2018, our Original Group had an extensive hospital coverage covering 40 Class III hospitals which represented approximately an 85.1% coverage of Class III hospitals in Shanghai. Our Original Group also focuses on offering a comprehensive range of IVD products covering four out of six major IVD testing categories sourcing from more than 40 international brands, such as Sysmex and Siemens catering to the mid-to-high end IVD market.

For the years ended 31 December 2016, 2017 and 2018, our Original Group recorded a total revenue of approximately RMB290.4 million, RMB338.3 million and RMB413.6 million, respectively. The net profit of our Original Group was approximately RMB57.2 million, RMB112.6 million and RMB99.5 million, respectively, for the same period.

BASIS OF PRESENTATION

Pursuant to the Reorganisation, our Company became the holding company of the subsidiaries now comprising our Group on 27 May 2016. The relevant steps of the Reorganisation are detailed in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus. The companies now comprising the Group were under the common control of Mr. Ho Kuk Sing and Mr. Leung King Sun, the Controlling Shareholders, before and after the Reorganisation. Accordingly, for the purpose of this prospectus, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated financial information of our Original Group has been prepared in accordance with the IFRSs. All IFRSs effective for the accounting period commencing from 1 January 2018, including IFRS 9 *Financial Instruments* ("**IFRS 9**"), IFRS 15 *Revenue from Contracts with Customers* and related amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* ("**IFRS 15**"), have been early adopted by the Original Group in the preparation of the Historical Financial Information throughout the Relevant Periods. The Original Group has assessed the effects of adoption of IFRS 9 and IFRS 15 on the Historical Financial Information and it considered that the adoption did not have a significant impact on its financial position and financial performance as compared to IAS 39 and IAS 18.

Details regarding the basis of presentation and preparation of the consolidated financial information of our Original Group are set out in notes 2.1 and 2.2 to the accountants' report in Appendix I in this prospectus.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of our Original Group are eliminated in full on consolidation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Results of operations of our Original Group have been and will continue to be affected by a number of external factors, many of which may be beyond our control, including those factors set out in the section headed "Risk Factors" and those set out below:

Vastec's relationship with Sysmex and our Original Group's relationship with other suppliers

Our Original Group's business is significantly dependent on the relationship between Vastec and Sysmex. During the Track Record Period, our Original Group sourced substantially all of its haemostasis products under the Sysmex brand through Vastec by acting as Vastec's regional distributor for distribution of Sysmex' haemostasis products in Shanghai. Revenue generated from the sales of Sysmex' haemostasis products purchased from Vastec was approximately RMB105.8 million, RMB135.6 million and RMB156.2 million for the years ended 31 December 2016, 2017 and 2018, respectively, representing approximately 36.4%, 40.1% and 37.8% of the total revenue of our Original Group for the same periods, respectively. Consequently, the profitability, business and financial performance of our Original Group significantly rely on, among other things, the continued and undisrupted supply of Sysmex' haemostasis products to Vastec. Although our Original Group acquired the remaining 60% of equity interests in Vastec in January 2019 and Vastec became the wholly-owned subsidiary of our Group since then, there is no assurance that Vastec will be able to renew its national distribution agreement with Sysmex upon the expiry of the current arrangements. If the relationship between Vastec and Sysmex deteriorates for any reason and our Original Group is unable to continue to secure our regional distribution rights of Sysmex' haemostasis products on an as-exclusive bases upon the expiry, the business, financial performance and profitability of our Original Group may be materially and adversely affected.

Our Original Group generally sources its products from international manufacturers and their distributors. The aggregate purchase from our Original Group's top five suppliers amounted to approximately 71.4%, 68.2% and 70.3% of our Original Group's total purchases for the years ended 31 December 2016, 2017 and 2018, respectively, while our Original Group's largest supplier being Vastec, accounted for approximately 41.6%, 37.0% and 36.9% of our aggregate purchases for the same periods, respectively. Therefore, our Original Group's profitability and results are dependent upon, among other things, its relationship with its major suppliers and its ability to source its products from appropriate suppliers at competitive prices.

Market demand and the implementation of the two invoice system

The growth of China's healthcare industry as a whole and its respective subsectors is to a large extent driven by various government regulations and policies. In particular, our business is subject to regulations that may affect the supply, demand and pricing of IVD products and the IVD market environment in China.

In December 2016, the Chinese government announced a pilot programme in certain provinces to implement a two invoice system. This system refers to the mechanism where only up to two invoices are issued along the chain of product procurement, with one issued by the manufacturer and the other issued by the distributor directly to hospitals. The two invoice system compresses the distribution value chain into one single layer. In order to adapt to the new system and gain a foothold in the market, it is critical for us to secure tier 1 distributorship rights and maintain a strong and stable relationship with the hospitals. During the Track Record Period and up to the Latest Practicable Date, the implementation of the two invoice system had not resulted in any material effect on our financial condition and results of operations because currently only Applicable Provinces have promulgated the relevant rules and regulations to implement the "two invoice system" to the IVD product industry and Shanghai had not promulgated the relevant rules and regulations to implement the "two invoice system" yet. Please see the sections headed "Industry Overview – Value chain of IVD industry in China", "Risk Factors – Our business operation, financial results and our cashflow may be adversely affected if the "two invoice system" is fully implemented in the IVD industry" and "Regulatory

Overview – The two invoice system" in this prospectus for detailed information. We expect that with the nationwide implementation of the two invoice system, we have to strive for obtaining more tier 1 distributorship rights as well as consolidating our current distribution network to a certain extent so that we could secure more direct sales to hospitals. However, as the two invoice system is at its early stages of implementation, the interpretations and enforcement of similar systems in the IVD market have been evolving and are subject to uncertainty. Therefore, we are unable to predict how the business models will evolve in different provinces of China, and whether and how that will affect our results of operations in the future.

Our relationship with hospitals and healthcare institutions and expansion of our hospital coverage

The success of the business and growth of our Original Group depend on our Original Group's ability to maintain business relationship with our customers and to further strengthen our hospital coverage.

Our Original Group generate a majority of our revenue from direct sales to end customers including hospitals and healthcare institutions and logistics providers. Our Original Group's revenue generated from direct sales to end customers was approximately RMB229.6 million, RMB230.8 million and RMB286.7 million, respectively, for the years ended 31 December 2016, 2017 and 2018, representing approximately 79.1%, 68.2% and 69.3% of the total revenue of our Original Group for the same periods, respectively. Therefore, our Original Group's ability to maintain the relationship with our existing customers and to further expand its hospital coverage either through itself or through logistics providers is critical to the growth of our Original Group's business. Over the years of experience, our Original Group have established an extensive hospital coverage in Shanghai by maintaining solid relationship with hospitals and healthcare institutions. As at 31 December 2018, our Original Group covers 40 Class III hospitals in Shanghai, either by ourselves or through logistics providers, representing approximately an 85.1% coverage of Class III hospitals in Shanghai. As at 31 December 2016, 2017 and 2018, our Original Group directly sold our products to 79, 75 and 88 hospitals and healthcare institutions, respectively. As at 31 December 2016, 2017 and 2018, our Original Group covered 35, 44 and 47 hospitals through logistics providers. We believe the coverage of our sales network is key in reaching end customers and we seek to further expand our hospital coverage.

Customer demand for solution services

Our Original Group generated revenue from provision of solution services, under the distribution business segment, of approximately RMB79.9 million, RMB92.4 million and RMB108.7 million for the years ended 31 December 2016, 2017 and 2018, respectively, representing approximately 27.5%, 27.3% and 26.2% of our Original Group's total revenue for the same period. According to Frost & Sullivan, the IVD solution services are at a rapid pace of development within the IVD industry. Given the possible consequences of the national implementation of the two invoice system in the future, distributors with the ability to provide broad network coverage and value-added services can become highly competitive. Please refer to the sections headed "Industry Overview – Value chain of IVD industry in China" and

"Regulatory Overview – two invoice system" in this prospectus for detailed information. As a result, there is a trend that more and more hospitals started to adopt a centralised procurement model. According to Frost & Sullivan, with the continuous increase of IVD testing categories and IVD items, hospitals management costs of IVD consumables have been increasing. Facing immense cost-cutting pressure, hospitals are willing to hand over the management of inventory, logistics, and procurement of IVD products to professional services providers to save cost and to improve efficiency. According to Frost & Sullivan, the solution business, which integrates upstream IVD product resources to provide integrated services for downstream medical institutions, is the future trend of IVD market in China. Such services help to improve the procurement efficiency and equipment configuration of medical institutions, reduce the operating costs of medical institutions, and provide them with various value-added services. We expect that the increasing demand for more efficient centralised procurement models adopted by hospitals will lead to an increase in the demand of our one-stop procurement solutions. Our sales revenue generated from solution services increased by approximately 15.6% from approximately RMB79.9 million for the year ended 31 December 2016 to approximately RMB92.4 million for the year ended 31 December 2017 mainly as a result of the increased demand from the hospitals. Therefore, our Original Group's revenue will be positively affected by the increasing adaptation of such one-stop procurement solutions by hospitals in the PRC as illustrated.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our Original Group has identified certain accounting policies that are significant to the preparation of its consolidated financial statements in accordance with the IFRSs. Our Original Group has also made certain accounting judgements and assumptions in the process of applying its accounting policies. When reviewing our Original Group's consolidated financial statements, you should consider (i) the selection of critical accounting policies; (ii) the judgement and assumptions affecting the application of such policies; and (iii) the sensitivity or reported results to change in conditions and assumptions. We set out below those accounting judgement and estimates used in the preparation of our Original Group's financial statements. The significant accounting policies, estimates and judgements, which are important for an understanding of our Original Group's financial condition and results of operations, are more detailed set out in notes 2.3 to 2.5 to the financial statements included in the accountants' report in Appendix I to this prospectus. We believe the following accounting policies, estimates and judgements are most critical to the preparation of the financial information:

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

Sales of goods

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

Other income

Consultancy and maintenance service income is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

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

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

Impact of IFRS change

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. Further information about those IFRSs that are expected to be applicable to the Group is described below:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group is currently considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB7,232,000 and lease liability of RMB7,524,000 will be recognised at 1 January 2019.

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Service equipment	20%
Plant and machinery	20% – 33.3%
Office equipment	20% – 33.3%
Motor vehicles	20%

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.

Patents

Patents acquired in a business combination are stated at fair value at the date of acquisition less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 20 years.

Research costs

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

Inventory

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

Leases

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

Significant accounting judgments and estimates

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

Estimation uncertainty

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

Write-down of inventories to net realisable value

Management reviews the condition of inventories of the Group and writes down the carrying amounts of obsolete and slow-moving inventories items which are identified as no longer suitable for sale or use to their respective net realisable values. The Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of the reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made. The carrying amount of inventories at 31 December 2016, 2017 and 2018 were RMB37,247,000, RMB47,838,000 and RMB51,408,000, respectively.

Provision for expected credit losses on trade receivables

The 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 (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the Historical Financial Information.

Share of profits of associates

Under IFRSs, associated companies are accounted for using the equity method. As such, our financial investments in our associated companies had significant impact on our financial position and results of operations during the Track Record Period. Share of results of associates affects our profit before tax but does not directly impact our cash position. Share of results of an associated company depends on the percentage of our holdings in such company and the financial performance of such company, over which we typically have significant influence but not effective control.

RESULTS OF OPERATIONS

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

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Revenue	290,441	338,268	413,635
Cost of sales	(206,543)	(230,054)	(296,964)
Gross profit	83,898	108,214	116,671
Other income and gains	5,166	5,512	5,946
Selling and distribution expenses	(11,683)	(10,305)	(11,631)
Administrative expenses	(44,554)	(47,624)	(67,230)
Other expenses	(878)	(263)	(328)
Finance costs	(98)	–	–
Share of profits of associates	34,376	69,923	76,529
(Impairment) reversal of impairment of trade receivables	(167)	2,863	(2,335)
Profit before tax	66,060	128,320	117,622
Income tax expense	(8,894)	(15,724)	(18,114)
Profit for the year	57,166	112,596	99,508

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Sales by business segment

During the Track Record Period, our Original Group primarily engaged in the distribution of IVD products, including IVD analysers, reagents and other consumables, to customers such as hospitals and healthcare institutions, logistics providers and distributors in Shanghai, through our wholly-owned subsidiary, Dacheng. Our Original Group also focuses on researching, developing, manufacturing and selling our self-branded IVD products under the our own brand. The revenue of our Original Group increased from approximately RMB290.4 million for the year ended 31 December 2016 to approximately RMB338.3 million for the year ended 31 December 2017, representing a growth rate of approximately 16.5%. The revenue of our Original Group further increased to approximately RMB413.6 million for the year ended 31 December 2018, representing a growth rate of approximately 22.3%. Such increases were primarily due to the organic growth of our Original Group's distribution business.

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

	Year ended 31 December					
Business segment	**2016**		**2017**		**2018**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Distribution business	283,096	97.5	319,382	94.4	408,440	98.7
Self-branded products business	7,345	2.5	18,886	5.6	5,195	1.3
Total:	**290,441**	**100.0**	**338,268**	**100.0**	**413,635**	**100.0**

Revenue from our Original Group's distribution business increased by approximately 12.8% from approximately RMB283.1 million for the year ended 31 December 2016 to approximately RMB319.4 million for the year ended 31 December 2017, and further increased by approximately 27.9% to approximately RMB408.4 million for the year ended 31 December 2018. Such increases were mainly attributable to (i) the increased sales of IVD reagents and other consumables as a result of the increased number of installations of IVD analysers of hospital customers; and (ii) the increase in sales of Sysmex' urinalysis products as a result of Dacheng being appointed as a regional distributor of Sysmex' urinalysis products in Shanghai in April 2016.

Revenue from our Original Group's self-branded product business increased by approximately 157.1% from approximately RMB7.3 million for the year ended 31 December 2016 to approximately RMB18.9 million for the year ended 31 December 2017. Such increase was mainly as a result of the acquisition of Suzhou DiagVita, a domestic IVD manufacturer and started to develop, manufacture and sell our self-branded IVD reagents in September 2016. For more details of the acquisition of 51% equity interest in Suzhou DiagVita and the relevant business and financial arrangement for such acquisition, please refer to the section headed "History, Reorganisation and Corporate Structure – Reorganisation – (6) Acquisitions of 51% equity interest in Suzhou DiagVita by IVD China" in this prospectus. Revenue from our Original Group's self-branded product business decreased by approximately 72.5% to approximately RMB5.2 million for the year ended 31 December 2018. Such decrease was mainly attributable to a factory reset and calibration, which led to lower sales figures than other periods during the Track Record Period. Our Directors expect that our Original Group will resume production and generate revenue from the sales of self-branded products in the first half of 2019.

Sales by product type

The IVD products distributed by our Original Group can be generally categorised into two broad categories, being IVD analysers and IVD reagents and consumables. During the Track Record Period, our Original Group derives all of our revenue from the sale of these two categories.

The table below sets out the breakdown of our Original Group's revenue by product type for the periods indicated:

Product type	Year ended 31 December					
	2016		2017		2018	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
IVD analysers						
– Distribution business	11,760	4.1	25,289	7.5	41,457	10.0
– Self-branded products business	4,431	1.5	39	0.0	–	–
Subtotal	16,191	5.6	25,328	7.5	41,457	10.0
IVD reagents and other consumables						
– Distribution business	271,336	93.4	294,093	86.9	366,983	88.7
– Self-branded products business	2,914	1.0	18,847	5.6	5,195	1.3
Subtotal	274,250	94.4	312,940	92.5	372,178	90.0
Total:	**290,441**	**100.0**	**338,268**	**100.0**	**413,635**	**100.0**

IVD analysers

Our Original Group's revenue from the sale of IVD analysers under the distribution business segment increased by approximately 115.0% from approximately RMB11.8 million for the year ended 31 December 2016 to approximately RMB25.3 million for the year ended 31 December 2017. It further increased by 63.9% to approximately RMB41.5 million for the year ended 31 December 2018. Such increases were mainly attributable to (i) increased purchase demand from hospital customers for IVD analysers; and (ii) the increase in sales of Sysmex' urinalysis analysers as a result of Dacheng being appointed as a regional distributor of Sysmex' urinalysis products in Shanghai in April 2016.

Our Original Group's revenue from the sale of self-branded IVD analysers decreased from approximately RMB4.4 million for the year ended 31 December 2016 to approximately RMB39,000 for the year ended 31 December 2017. There was no revenue from the sales of self-branded IVD analysers for the year ended 31 December 2018. During the Track Record Period, the significant decrease in revenue from the sales of self-branded IVD analysers was mainly due to a factory reset, adjustment and calibration of the IVD analysers, which led to no sales for the year ended 31 December 2018. Our Directors expect that our Original Group will resume production and generate revenue from sales of self-branded products in the first half of 2019.

IVD reagents and other consumables

Our Original Group's revenue from the sale of IVD reagents under the distribution business segment increased by approximately 8.4% from approximately RMB271.3 million for the year ended 31 December 2016 to approximately RMB294.1 million for the year ended 31 December 2017. Such increase was primarily due to the increase in the sales volume of IVD reagents and other consumables as a result of the increased total number of IVD analysers installed at the end customers. It further increased by approximately 24.8% to approximately RMB367.0 million for the year ended 31 December 2018. Such increase was mainly attributable to the increased total number of IVD analysers installed at the end customers which lead to continuous demand for IVD reagents and other consumables. As at 31 December 2016, 2017 and 2018, there was total number of 251, 346, and 440 Sysmex' IVD analysers installed at the end customers, respectively.

Our Original Group's revenue from the sale of our self-branded IVD reagents increased from approximately RMB2.9 million for the year ended 31 December 2016 to approximately RMB18.8 million for the year ended 31 December 2017, representing a growth rate of approximately 546.8%. This sharp increase was mainly because our Original Group started to develop, manufacture and sell self-branded IVD reagents since September 2016. Only three months' revenue was generated from sale of self-branded reagents in 2016 compare to the full year figure in 2017. Our Original Group's revenue from the sales of our self-branded IVD reagents decreased by approximately 72.5% to approximately RMB5.2 million for the year ended 31 December 2018. Such decrease was mainly attributable to a factory reset and calibration, which led to lower sales figure. Our Directors expect that our Original Group will resume production and generate revenue from the sales of self-branded products in the first half of 2019.

Sales by channel

Our Original Group primarily distributes IVD products directly or through logistics providers to hospitals and healthcare institutions in Shanghai. Our Original Group also distributes a portion of IVD products through distributors. The table below sets out the breakdown of our Original Group's revenue by sales channel for the periods indicated:

	Year ended 31 December					
Sales channel	**2016**		**2017**		**2018**	
	RMB'000	**% of total revenue**	**RMB'000**	**% of total revenue**	**RMB'000**	**% of total revenue**
Distribution business						
– Hospitals and healthcare. . .	141,863	48.9	159,827	47.2	202,714	49.0
– Logistics providers . . .	87,759	30.2	71,011	21.0	84,012	20.3
– Distributors. .	53,474	18.4	88,544	26.2	121,714	29.4
Subtotal	283,096	97.5	319,382	94.4	408,440	98.7
Self-branded products business						
– Distributors. .	7,345	2.5	18,886	5.6	5,195	1.3
Subtotal	7,345	2.5	18,886	5.6	5,195	1.3
Total:	**290,441**	**100.0**	**338,268**	**100.0**	**413,635**	**100.0**

Hospital and healthcare institutions

Our Original Group's revenue from the sale to hospital and healthcare institutions under the distribution business segment increased from approximately RMB141.9 million for the year ended 31 December 2016 to approximately RMB159.8 million for the year ended 31 December 2017 representing a growth rate of approximately 12.7%. It further increased by 26.8% to approximately RMB202.7 million for the year ended 31 December 2018. Such increases were mainly attributable to the organic growth of our Original Group's distribution business and is in line with the growth rate of IVD markets in Shanghai.

Logistics providers

Our Original Groups' revenue via logistics providers under the distribution business segment decreased from approximately RMB87.8 million for the year ended 31 December 2016 to approximately RMB71.0 million for the years ended 31 December 2017, representing a decline rate of approximately 19.1%. This was mainly attributable to the reduced sales from international brand A as a result of adjustment of marketing strategy of international brand A. This revenue increased by approximately 18.3% to approximately RMB84.0 million for the year ended 31 December 2018. This was mainly attributable to the organic growth of our Original Group's distribution business.

Distributors

Our Original Group's revenue via distributors under the distribution business segment increased from approximately RMB53.5 million for the year ended 31 December 2016 to approximately RMB88.5 million for the year ended 31 December 2017 representing a growth rate of approximately 65.6%. It further increased by approximately 37.5% to approximately RMB121.7 million for the year ended 31 December 2018. Such increases were mainly attributable to (i) increased revenue generated from sales of both distributed products and self-branded products, and (ii) increased sales from increased number of distributors. Please refer to the section headed "Business – Distribution Business – Through our Original Group – Distributors" for further details of the movement of our Original Group's distributors under distribution business segment.

Our Original Groups' revenue via distributors under the self-branded products business segment increased from approximately RMB7.3 million for the year ended 31 December 2016 to approximately RMB18.9 million for the year ended 31 December 2017, representing a growth rate of approximately 157.1%. This sharp increase was mainly attributable to the startup of developing, manufacturing and selling self-branded IVD reagents in September 2016 and the increased number of distributors engaged. Please refer to the section headed "Business – Self-branded Products Business – Sales and Distribution" for further details of the movement of our Original Group's distributors under the self-branded products business segment. This revenue decreased by approximately 72.5% to approximately RMB5.2 million for the year ended 31 December 2018. This was mainly attributable to the factory reset, adjustment and calibration of our self-branded IVD analysers, which led to reduced sales during the same period. Our Directors expect that our Original Group will resume production and generate revenue from the sales of self-branded products in the first half of 2019.

Sales by brand

Our Original Group primarily sources IVD products from international manufacturers or from their distributors, and then onsells to our Original Group's customers. The table below sets out the breakdown of our Original Group's revenue by brand for the periods indicated:

	Year ended 31 December					
Brand	**2016**		**2017**		**2018**	
	RMB'000	**% of total revenue**	**RMB'000**	**% of total revenue**	**RMB'000**	**% of total revenue**
Sysmex	135,756	46.8	188,262	55.7	236,229	57.1
International brand A	47,953	16.5	27,387	8.1	26,258	6.3
International brand B	15,103	5.2	11,671	3.4	18,250	4.4
Other brands	84,284	29.0	92,062	27.2	127,703	30.9
Self-brand	7,345	2.5	18,886	5.6	5,195	1.3
Total:	**290,441**	**100.0**	**338,268**	**100.0**	**413,635**	**100.0**

Our Original Group's revenue generated from the top three brands, being Sysmex, international brand A and international brand B, collectively contributed approximately 68.5%, 67.2% and 67.8% of the total revenue of our Original Group for the years ended 31 December 2016, 2017 and 2018, respectively. Revenue generated from the top brand Sysmex increased by approximately RMB52.5 million or 38.7% and RMB48.0 million or 25.5% in 2017 and 2018 compared with the previous periods, primarily due to the increased demand of Sysmex products in Shanghai, especially attributable to the increased sales revenue generated from Sysmex' urinalysis products as a result of Dacheng being appointed as a regional distributor for Sysmex' urinalysis products in Shanghai in April 2016. Revenue generated from international brand A generally decreased during the Track Record Period, primarily due to our Original Group's sales reduction of international brand A's products due to the sales of international brand A's products lowered our Original Group's gross profit margin as it has lower gross profit margin compared with Sysmex. Revenue generated from international brand B's declined between the years ended 31 December 2016 and 2017 as international brand B's products have relatively lower gross profit margin. This revenue generated from international brand B increased between the years ended 31 December 2017 and 2018 as one of our hospital customer has installed a new analyser that led to an increase in sales of international brand B's products.

Sales volume and range of selling price

The following table sets out the sales volume and selling price range of the IVD products by product type distributed by our Orginal Group under the distribution business segment in the PRC for the periods indicated:

Distribution business

Product type	Year ended 31 December					
	2016		2017		2018	
	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions
	(unit)	RMB/unit	(unit)	RMB/unit	(unit)	RMB/unit
IVD analysers	83	6,000-996,000	120	2,800-2,690,000	152	6,000-1,790,000
	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions
	('000 tests[(1)])	RMB/test	('000 tests)	RMB/test	('000 tests)	RMB/test
IVD reagents and consumables	87,039	0.15-260.68	119,260	0.16-286.32	140,794	0.06-783.22

Note:

(1) Each IVD test sold has specific quantities of IVD reagents and consumables, varied according to the intended diagnostic purposes.

The sales volume of IVD analysers under our distribution business segment increased from 83 units for the year ended 31 December 2016 to 120 units for the year ended 31 December 2017, and it further increased to 152 units for the year ended 31 December 2018. Such increases were mainly attributable to (i) the organic growth of our Original Group's distribution business; and (ii) the increase in sales of Sysmex' urinalysis analysers as a result of Dacheng being appointed as a regional distributor of Sysmex' urinalysis products in Shanghai in April 2016. The price range of the analysers sold across the Track Record Period varied according to the types and models of analysers sold in hospitals and healthcare institutions.

The sales volume of IVD reagents (which include various quantities IVD reagents and consumables according to different unit of measurements) under our distribution business segment increased from approximately 87.0 million tests for the year ended 31 December 2016 to 119.3 million tests for the year ended 31 December 2017, and it further increased to approximately 140.8 million tests for the year ended 31 December 2018. Such increases were mainly attributable to the increase of demand for reagents and consumables to perform certain tests specific to the IVD analysers sold. The price range of the tests sold varied according to the types of tests sold and the quantities of reagents and consumables included in each of the tests sold.

Self-branded products business

Product type	Year ended 31 December					
	2016		2017		2018	
	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions
	(unit)	RMB/unit	(unit)	RMB/unit	(unit)	RMB/unit
IVD analysers	172	4,000-55,000	5	4,000-20,000	–	–
	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions
	('000 tests[1])	RMB/test	('000 tests)	RMB/test	('000 tests)	RMB/test
IVD reagents	821	2.14-4.27	5,437	2.14-4.27	1,566	1.29-4.31

Note:

(1) Each IVD test sold has specific quantities of IVD reagents and consumables, varied according to the intended diagnostic purposes.

The sales volume of our self-branded IVD analysers decreased from 172 units for the year ended 31 December 2016 to 5 units for the year ended 31 December 2017. There were no self-branded IVD analysers sold for the year ended 31 December 2018, respectively. These decreases were mainly attributable to the factory reset and a further design and development calibration of our self-branded IVD analysers. The price range of the analysers sold across the Track Record Period varied according to the types and models of analysers sold.

The sales volume of our self-branded IVD reagents (which include various quantities IVD reagents and consumables according to different unit of measurements) increased from approximately 0.8 million tests for the year ended 31 December 2016 to approximately 5.4 million tests for the year ended 31 December 2017. This sharp increase was mainly attributable to the starting up of developing, manufacturing and selling self-branded reagents after the acquisition of Suzhou DiagVita in September 2016. The sales volume decreased to 1.6 million tests for the year ended 31 December 2018. Such decrease was mainly attributable to the decrease of self-branded IVD analysers sold that would require the specific tests under our own brand. The price range of the tests sold varied according to the types of tests sold and the quantities of reagents and consumables included in each of the tests sold.

Cost of sales

Cost of sales of our Original Group was approximately RMB206.5 million, RMB230.1 million and RMB297.0 million for the years ended 31 December 2016, 2017 and 2018, respectively, and representing approximately 71.1%, 68.0% and 71.9% of the total revenue of our Original Group for the same period, respectively. During the Track Record Period, the cost of sales of our Original Group only consisted of cost of inventories sold. Cost of inventories sold of our Original Group mainly comprised of our Original Group's purchases of IVD analysers and IVD reagents and other consumables from Sysmex and other international brands.

Cost of sales by business segment

Cost of sales of our Original Group generally increased during the Track Record Period, which was mainly due to the increase in purchase volume of IVD reagents and other consumables as a result of the increased number of IVD analysers installed at the end customers. The following table sets out a breakdown of our Original Group's cost of sales by business segment for the periods indicated:

	Year ended 31 December					
Business segment	**2016**		**2017**		**2018**	
	RMB'000	**% of total cost of sales**	**RMB'000**	**% of total cost of sales**	**RMB'000**	**% of total cost of sales**
Distribution business	204,557	99.0	227,171	98.8	295,929	99.7
Self-branded products business	1,986	1.0	2,883	1.2	1,035	0.3
Total:	**206,543**	**100.0**	**230,054**	**100.0**	**296,964**	**100.0**

The cost of sales of our Original Group's distribution business increased by approximately 11.1% from approximately RMB204.6 million for the year ended 31 December 2016 to approximately RMB227.2 million for the year ended 31 December 2017. It further increased by approximately 30.2% to approximately RMB295.9 million for the year ended 31 December 2018. The increases in the cost of sales of our Original Group's distribution business were in line with the increased sales under distribution business segment for each period.

The cost of sales of our Original Group's self-branded products business increased by approximately 45.2% from approximately RMB2.0 million for the year ended 31 December 2016 to approximately RMB2.9 million for the year ended 31 December 2017. Such increase was mainly attributable to the increased sales under self-branded product business for the same period. The cost of sales of our Original Group's self-branded products business decreased by 64.1% to approximately RMB1.0 million for the year ended 31 December 2018, which was mainly due to the readjustment of IVD analysers, causing a decrease in sales for our self-branded reagents.

Cost of sales by product type

During the Track Record Period, our Original Group's cost of sales by product types as a percentage of our Original Group's total cost of sales were basically in line with their respective revenue contribution. The following table sets out a breakdown of our Original Group's cost of sales by product type for the periods indicated:

	Year ended 31 December					
Product type	**2016**		**2017**		**2018**	
	RMB'000	**% of total cost of sales**	**RMB'000**	**% of total cost of sales**	**RMB'000**	**% of total cost of sales**
IVD analysers						
– Distribution business	8,832	4.2	20,408	8.9	35,203	11.9
– Self-branded products business	1,193	0.6	36	0	–	–
Subtotal	10,025	4.8	20,444	8.9	35,203	11.9
IVD reagents and other consumables						
– Distribution business	195,725	94.8	206,764	89.9	260,726	87.8
– Self-branded products business	793	0.4	2,846	1.2	1,035	0.3
Subtotal	196,518	95.2	209,610	91.1	261,761	88.1
Total:	**206,543**	**100.0**	**230,054**	**100.0**	**296,964**	**100.0**

The cost of sales of our Original Group's IVD analysers increased from approximately RMB10.0 million for the year ended 31 December 2016 to approximately RMB20.4 million for the year ended 31 December 2017, representing an increase of approximately 103.9%. It also increased to approximately RMB35.2 million for the year ended 31 December 2018, representing an increase of approximately 72.2%. Such increases were primarily due to the increased sales of urinalysis products since our Original Group has become a regional distributor to distribute Sysmex' urinalysis products in Shanghai in April 2016. The increases in cost of sales were partially offset by a decrease of the cost of sales of our self-branded IVD analysers due to a lack of sales of our self-branded IVD analysers as a result of product calibration and readjustments during the same period.

The cost of sales of our Original Group's IVD reagents and other consumables increased from approximately RMB196.5 million for the year ended 31 December 2016 to approximately RMB209.6 million for the year ended 31 December 2017, representing an increase of approximately 6.7%. Such cost of sales increased by approximately 24.9% to approximately RMB261.8 million for the year ended 31 December 2018. The increases in the cost of sales of our Original Group's IVD reagents and other consumables were generally in line with the growth of the revenue generated from our Original Group's IVD reagents and other consumables for the same periods.

Gross profit and gross profit margin

Gross profit of our Original Group increased by approximately RMB24.3 million or 29.0% from approximately RMB83.9 million for the year ended 31 December 2016 to approximately RMB108.2 million for the year ended 31 December 2017. Such increase was attributable to the increase of gross profit derived from both distribution and self-branded products business. It also increased by approximately RMB8.5 million or 7.8% to approximately RMB116.7 million for the year ended 31 December 2018. Such increase was in line with the growth of revenue from distribution business for the same period. Gross profit margin of our Original Group was approximately 28.9%, 32.0% and 28.2% for the years ended 31 December 2016, 2017 and 2018, respectively, and was largely driven by the gross profit margin of the distribution business.

Gross profit and gross profit margin by business segment

The following table sets out the gross profit and gross profit margin of our Original Group by business segment for the periods indicated:

	Year ended 31 December					
Business segment	**2016**		**2017**		**2018**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Distribution business .	78,539	27.7	92,211	28.9	112,511	27.5
Self-branded products business	5,359	73.0	16,003	84.7	4,160	80.1
Total:	**83,898**	**28.9**	**108,214**	**32.0**	**116,671**	**28.2**

The gross profit margin of our Original Group's distribution business increased from approximately 27.7% for the year ended 31 December 2016 to approximately 28.9% for the year ended 31 December 2017, primarily as a combined effect of the increase in the proportion of sales of products with relatively higher gross profit margin, such as Sysmex' IVD products, and the decrease in the proportion of sales of products with relatively low gross profit margin, such as international brand A's products which we sourced from its distributors. The gross profit margin of our Original Group's distribution business decreased to approximately 27.5% for the year ended 31 December 2018. Such decrease was mainly due to the decreased proportion of revenue from IVD reagents and other consumables which have higher profit margin than IVD analysers.

The gross profit margin of our Original Group's self-branded products business increased from approximately 73.0% for the year ended 31 December 2016 to approximately 84.7% for the year ended 31 December 2017. This was primarily due to the increase in the proportion of sales of our Original Group's self-branded IVD reagents which had a higher gross profit margin than our self-branded IVD analysers. The gross profit margin of our Original Group's self-branded products business decreased to approximately 80.1% for the year ended 31 December 2018 which was mainly due to the decrease in the selling price of our Original Group's self-branded IVD reagents and other consumables.

Gross profit and gross profit margin by product type

The following table sets out a breakdown of the gross profit and gross profit margin of our Original Group by product type for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
IVD analysers						
– Distribution business	2,928	24.9	4,881	19.3	6,254	15.1
– Self-branded products business	3,238	73.1	3	7.7	–	–
Subtotal	6,166	38.1	4,884	19.3	6,254	15.1
IVD reagents and other consumables						
– Distribution business	75,611	27.9	87,329	29.7	106,257	29.0
– Self-branded products business	2,121	72.8	16,001	84.9	4,160	80.1
Subtotal	77,732	28.3	103,330	33.0	110,417	29.7
Total:	**83,898**	**28.9**	**108,214**	**32.0**	**116,671**	**28.2**

The gross profit margin of our Original Group's IVD analysers decreased from approximately 38.1% for the year ended 31 December 2016 to approximately 19.3% for the year ended 31 December 2017 and further decreased to 15.1% for the year ended 31 December 2018. Such decreases were primarily due to (i) a substantial decrease in self-branded IVD analysers which had a higher gross profit margin than other brands' analysers; (ii) our Original Group adopted a more competitive pricing strategy to capture a larger market share under our distribution business segment; and (iii) the disposal of unsold self-branded analysers at much lower price under the self-branded products business segment as a result of change in business strategy.

The gross profit margin of our Original Group's IVD reagents and consumables increased from approximately 28.3% for the year ended 31 December 2016 to approximately 33.0% for the year ended 31 December 2017. Such increase was mainly attributable to the increased sales in proportion of our Original Group's self-branded IVD reagents and other consumables which have much higher gross profit margin than that of distribution business during the same period. The gross profit margin decreased to approximately 29.7% for the year ended 31 December 2018. Such decrease was primarily due to the decreased sales proportion of our Original Group's self-branded IVD reagents and other consumables which have much higher gross profit margin than that of the distribution business segment.

Other income and gains

The following table sets out a breakdown of our Original Group's other income and gains for the periods indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Other income			
Government subsidies	3,921	832	422
Service income	781	1,856	3,314
Bank interest income	412	568	169
Other interest income	–	1,083	1,356
Rental income	–	444	295
Others	52	48	156
	5,166	4,831	5,712
Gains			
Foreign exchange differences, net	–	681	234
Total	**5,166**	**5,512**	**5,946**

Other income and gains of our Original Group amounted to approximately 1.8%, 1.6% and 1.4% of the total revenue of our Original Group for the years ended 31 December 2016, 2017 and 2018, respectively. Our Original Group's other income and gains primarily consisted of:

- Government subsidies, which related to one-off government grants received from the PRC local government authorities to support the research and development activities of our Original Group's subsidiaries;
- Service income, which primarily included income generated from maintenance services provided to our end customers under distribution business segment;
- Bank interest income mainly derives from our time deposits; and
- Gains mainly derives from the changes in the foreign exchange rate between RMB to Hong Kong dollars, of which we use intermittently as our currency for certain transactions.

Selling and distribution expenses

The following table sets out a breakdown of selling and distribution expenses of our Original Group for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	3,124	26.7	3,697	35.9	3,855	33.1
Maintenance fees	3,136	26.9	2,102	20.4	2,535	21.8
Promotion fees	2,174	18.6	814	7.9	1,050	9.0
Travel and entertainment fees	1,787	15.3	2,331	22.6	2,746	23.6
Office expenses	852	7.3	627	6.1	574	4.9
Transportation	338	2.9	636	6.2	809	7.0
Others[(1)]	272	2.3	98	0.9	62	0.6
Total:	**11,683**	**100.0**	**10,305**	**100.0**	**11,631**	**100.0**

Note:

1. Others primarily include fees incurred for product registration, training, telephone services and printing.

Selling and distribution expenses of our Original Group amounted to approximately 4.0%, 3.0% and 2.8% of the total revenue of our Original Group for the years ended 31 December 2016, 2017 and 2018, respectively. Our Original Group's selling and distribution expenses mainly consisted of:

- Staff costs, which were salaries, incentives and benefit paid to our Original Group's sales and marketing personnel;
- Maintenance fees were the expenses related to the repair and maintenance services provided to the hospitals and healthcare institutions of which the IVD analysers were installed;
- Travel and entertainment fees were the expenses related to the travel and entertainment expenses incurred by sales personnel for their sales and marketing activities; and
- Promotion fees were related to the expenses incurred for the promotion and advertisement to secure distribution rights and to promote our self-branded products.

Administrative expenses

The following table sets out a breakdown of our administrative costs for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	16,379	36.8	19,489	40.9	21,619	32.2
Depreciation and amortisation	11,329	25.4	14,064	29.5	15,724	23.4
Travelling and entertainment expenses	3,496	7.8	3,651	7.7	4,447	6.6
Rent and rates	3,568	8.0	4,272	9.0	4,422	6.6
Office expenses	1,196	2.7	1,156	2.4	953	1.4
R&D expenses	117	0.3	597	1.3	2,198	3.3
Legal & professional fees	6,186	13.9	2,991	6.3	3,271	4.9
Listing expenses	–	–	–	–	12,534	18.6
Others[1]	2,283	5.1	1,404	2.9	2,062	3.0
Total:	**44,554**	**100.0**	**47,624**	**100.0**	**67,230**	**100.0**

Note:

1. Others primarily include expenses on quality assurance, decoration expenses, management fees, other taxes, sundries, and stamp duties.

Administrative expenses of our Original Group amounted to approximately 15.3%, 14.1% and 16.3% of the total revenue of our Original Group for the years ended 31 December 2016, 2017 and 2018, respectively. Our Original Group's administrative expenses mainly consisted of:

- Staff costs, which include salaries, staff benefits and social insurance costs paid to our Original Group's management team;
- Travelling and entertainment expenses related to the travel and entertainment expenses incurred by staff and directors for non-sales and marketing duties;
- Depreciation and amortisation costs mainly related to amortisation for intangible assets; and
- R&D expenses were related to the research and development expenses incurred for our Original Group's self-branded products;

Other expenses

Other expenses of our Original Group primarily consisted of a loss due to fluctuating foreign exchange rates between the HK dollar and the RMB. For the years ended 31 December 2016, 2017 and 2018, other expenses of our Original Group was approximately RMB878,000, RMB263,000 and RMB328,000, respectively.

Finance costs

Finance costs of our Original Group represented interest expenses on bank loans. Finance costs of our Original Group was approximately RMB98,000, nil and nil for the years ended 31 December 2016, 2017 and 2018, respectively.

Share of profits of associates

Share of profits of associates of our Original Group mainly represented profits derived from our Original Group's associated company by then, Vastec, pursuant to the Reorganisation. Please refer to the section headed "History, Reorganisation and Corporate Structure – Reorganisation – (4) Acquisition of 40% of the issued share capital of Vastec HK by our Company" in this prospectus for more details. Share of profits of associates were approximately RMB34.4 million, RMB69.9 million and RMB76.5 million for the years ended 31 December 2016, 2017 and 2018, respectively.

Income tax expenses

Income tax expenses consisted of current tax and deferred tax incurred by our Original Group. Income tax expenses of our Original Group were approximately RMB8.9 million, RMB15.7 million and RMB18.1 million for the years ended 31 December 2016, 2017 and and 2018, respectively. The effective tax rates of our Original Group were approximately 13.5%, 12.3% and 15.4% in 2016, 2017 and 2018, respectively. The effective tax rate of our Original Group during this period of time was lower than the statutory tax rate as share of profits from Vastec were already taxed and that there was a loss in the revenue from other PRC subsidiaries within our Original Group.

Current income tax of our Original Group in the PRC comprises primarily PRC corporate income tax paid by PRC subsidiaries. Under the EIT Law, subsidiaries of our Original Group in the PRC are subject to PRC income tax at the statutory PRC corporate income tax rate of 25%. No provision for Hong Kong profits tax has been made as our Original Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods. Please also refer to note 8 to our financial statements included in the accountants' report in Appendix I to this prospectus for a more detailed discussion on income tax expenses of our Original Group.

Our Original Group is liable to 5% of witholding taxes on dividends distributed by those subsidiaries established in the PRC. Please also refer to note 24 to our financial statements included in the Accountants' report in Appendix I to this prospectus for a more detailed discussion on deferred tax liabilities of our Original Group.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2018 compared with year ended 31 December 2017

Revenue

The revenue of our Original Group increased by approximately RMB75.4 million or 22.3% to approximately RMB413.6 million for the year ended 31 December 2018 from approximately RMB338.3 million for the year ended 31 December 2017. Such increase was mainly due to the growth in revenue generated from distribution business, and was partially offset by the decrease in revenue generated from self-branded products business.

Distribution business

Our Original Group's revenue generated from distribution business increased by approximately RMB89.1 million or 27.9% to approximately RMB408.4 million for the year ended 31 December 2018 from approximately RMB319.4 million for the year ended 31 December 2017. Such increase was mainly due to (i) the organic growth in selling IVD analysers leading to an increased number of installations of IVD analyers at hospital customers; (ii) the increased sales of IVD reagents and other consumables as a result of the increased number of Sysmex' analysers installed at the end customers; and (iii) the increase in sales of Sysmex' urinalysis products as a result of Dacheng being appointed as a regional distributor of Sysmex' urinalysis products in Shanghai in April 2016.

Self-branded products business

Our Original Group's revenue generated from self-branded product business decreased by approximately RMB13.7 million or 72.5% from approximately RMB18.9 million for the year ended 31 December 2017 to approximately RMB5.2 million for the year ended 31 December 2018. Such decrease was mainly due to the factory reset and calibration which led to lower sales figures.

Cost of sales

Cost of sales of our Original Group increased by approximately RMB66.9 million or 29.1%, to approximately RMB297.0 million for the year ended 31 December 2018 from approximately RMB230.1 million for the year ended 31 December 2017. Such increase was generally in line with the increase in revenue.

Distribution business

Cost of sales of our Original Group's distribution business increased by approximately RMB68.7 million or 30.2% to approximately RMB295.9 million for the year ended 31 December 2018 from approximately RMB227.2 million for the year ended 31 December 2017. Such increase was mainly due to the stock-up of Sysmex' urinalysis products as Dacheng was appointed as a regional distributor for Sysmex' urinalysis products in Shanghai in April 2016 and it was generally in line with the increased sales under the distribution business segment.

Self-branded products business

Cost of sales of our Original Group's self-branded products business decreased by approximately RMB1.9 million or 65.5% from approximately RMB2.9 million for the year ended 31 December 2017 to approximately RMB1.0 million for the year ended 31 December 2018. Such decrease was mainly attributable to the readjustment of our self-branded IVD analysers, causing a decrease in sales of our self-branded reagents.

Gross profit and gross profit margin

Overall gross profit of our Original Group increased by approximately RMB8.5 million or 7.9% to approximately RMB116.7 million for the year ended 31 December 2018 from approximately RMB108.2 million for the year ended 31 December 2017. Such increase was primarily due to the continuous growth of our Original Group's distribution business segment and was partially offset by the decrease in sales from self-branded products business. Overall gross profit margin decreased from 32.0% for the year ended 31 December 2017 to 28.2% for the year ended 31 December 2018. Such decrease was mainly due to the decreased proportion of gross profit from self-branded products business which has a higher gross profit margin than that of the distribution business segment.

Distribution business

The gross profit of our Original Group's distribution business increased by approximately RMB20.3 million or 22.0% to approximately RMB112.5 million for the year ended 31 December 2018 from approximately RMB92.2 million for the year ended 31 December 2017. Such increase was mainly due to the increased sales of the IVD products as a result of an organic business expansion and is generally in line with the growth of revenue from distribution business. The gross profit margin of our Original Group's distribution business slightly decreased from approximately 28.9% for the year ended 31 December 2017 to approximately 27.5% for the year ended 31 December 2018. Such decrease was mainly due to the decreased proportion of revenue from IVD reagents and other consumables which have higher gross profit margin than IVD analysers.

Self-branded products business

The gross profit of our Original Group's self-branded products business decreased by approximately RMB11.8 million or 74.0% from approximately RMB16.0 million for the year ended 31 December 2017 to approximately RMB4.2 million for the year ended 31 December 2018. Such decrease was generally in line with the decrease of revenue from self-branded products business. The gross profit margin of our Original Group's self-branded products business decreased to approximately 80.1% for the year ended 31 December 2018 from approximately 84.7% for the year ended 31 December 2017. Such decrease was mainly attributable to the decrease in the selling price of our Original Group's self-branded IVD reagents and consumables.

Other income and gains

Our Original Group's other income increased by approximately RMB0.9 million or 18.2% to approximately RMB5.7 million for the year ended 31 December 2018 from approximately RMB4.8 million for the year ended 31 December 2017. Such increase was primarily due to (i) the increase in service income of approximately RMB1.5 million as a result of an increase in the maintenance services provided; and (ii) the increase in other interest income from our loan to Vastec HK of approximately RMB0.3 million and it was partially offset by the decrease in interest income derived from bank deposit of approximately RMB0.4 million.

Our Original Group's gains decreased by approximately RMB0.4 million or 65.6% from approximately RMB0.7 million for the year ended 31 December 2017 to approximately RMB0.2 million for the year ended 31 December 2018. Such decrease was primarily as a result of currency fluctuations between the HK dollar against the RMB.

Selling and distribution expenses

Our Original Group's selling and distribution expenses increased by approximately RMB1.3 million or 12.9% to approximately RMB11.6 million for the year ended 31 December 2018 from approximately RMB10.3 million for the year ended 31 December 2017. This increase was mainly attributable to (i) increased travel and entertainment fee from approximately RMB2.3 million for the year ended 31 December 2017 to approximately RMB2.7 million for the year ended 31 December 2018 primarily due to the increased marketing activities for the expansion of our Original Group's business; (ii) increased maintenance fees from approximately RMB2.1 million for the year ended 31 December 2017 to approximately RMB2.5 million for the year ended 31 December 2018, primarily due to an increase of IVD analysers installed at the end customers, which lead to higher costs in providing maintenance services; and (iii) increased promotion fees from approximately RMB0.8 million for the year ended 31 December 2017 to approximately RMB1.1 million for the year ended 31 December 2018, primarily due to the increase in tender fees as a result of an increase in tender submission.

Administrative expenses

Our Original Group's administrative expenses increased by approximately RMB19.6 million or 41.2% to approximately RMB67.2 million for the year ended 31 December 2018 from approximately RMB47.6 million for the year ended 31 December 2017. Such an increase was mainly due to (i) the increase in Listing expenses of approximately RMB12.5 million in connection with the preparation of Listing; (ii) the increase in staff costs of approximately RMB2.1 million as a result of the increase in salaries of our Original Group's administrative staff to cope with our Original Group's business growth; and (iii) the increase in depreciation of our property, plant and equipment and amortisation of our intangible assets of RMB1.7 million. Please refer to the paragraph headed "Listing Expenses" in this section for more details of our Listing expenses.

Other expenses

Our Original Group's other expenses increased by approximately RMB65,000 or approximately 24.7% to approximately RMB328,000 for the year ended 31 December 2018 from approximately RMB263,000 for the year ended 31 December 2017. Such increase was primarily due to an increase of sponsorship fees of approximately RMB0.3 million as a result of a donation made to an organisation for promotion of healthcare in China.

Finance costs

Our Original Group did not incurred any finance cost for the years ended 31 December 2017 and 2018.

Share of profits of associates

Our Original Group's share of profits of associates increased by approximately RMB6.6 million or 9.4% to approximately RMB76.5 million for the year ended 31 December 2018 from approximately RMB69.9 million for the year ended 31 December 2017. Such increase was generally in line with the increase of the net profit of Vastec by approximately RMB18.1 million or 10.4% to approximately RMB192.2 million from approximately RMB174.1 million for the same period.

Income tax expense

Our Original Group's income tax expense increased by approximately RMB2.4 million or 15.3% from approximately RMB15.7 million for the year ended 31 December 2017 to approximately RMB18.1 million for the year ended 31 December 2018, mainly due to increase in profits before tax. Our Original Group's effective tax rate increased from 12.3% for the year ended 31 December 2017 to 15.4% for the year ended 31 December 2018.

Profit for the period

As a result of the foregoing, our Original Group's profit for the year decreased by approximately RMB13.1 million or 11.6% to approximately RMB99.5 million for the year ended 31 December 2018 from approximately RMB112.6 million for the year ended 31 December 2017.

Year ended 31 December 2017 compared with year ended 31 December 2016

Revenue

Our Original Group's revenue increased by approximately RMB47.9 million or 16.5% to approximately RMB338.3 million for the year ended 31 December 2017 from approximately RMB290.4 million for the year ended 31 December 2016. Such increase was primarily as a result of the growth in revenue generated from both distribution business and self-branded products business.

Distribution business

Our Original Group's revenue generated from distribution business increased by approximately RMB36.3 million or 12.8% to approximately RMB319.4 million for the year ended 31 December 2017 from approximately RMB283.1 million for the year ended 31 December 2016. Such increase was mainly due to (i) the increased sales of IVD reagents and other consumables as a result of the increased number of Sysmex' analysers installed at the end customers; and (ii) the increase in sales of Sysmex' urinalysis products as a result of Dacheng being appointed as a regional distributor of Sysmex' urinalysis products in Shanghai in April 2016.

Self-branded products business

Our Original Group's revenue generated from self-branded product business increased by approximately RMB11.5 million or 157.1% to approximately RMB18.9 million for the year ended 31 December 2017 from approximately RMB7.3 million for the year ended 31 December 2016. Such increase was mainly attributable to the acquisition of Suzhou DiagVita and commenced developing, manufacturing and selling our self-branded IVD reagents in September 2016.

Cost of sales

Our Original Group's cost of sales increased by approximately RMB23.5 million or 11.4% to approximately RMB230.1 million for the year ended 31 December 2017 from approximately RMB206.5 million for the year ended 31 December 2016. Such increase was generally in line with the increase in revenue for the same period.

Distribution business

Cost of sales of our Original Group's distribution business increased by approximately RMB22.6 million or 11.1% to approximately RMB227.2 million for the year ended 31 December 2017 from approximately RMB204.6 million for the year ended 31 December 2016. Such increase was in line with the increased sales of both IVD analysers and IVD reagents and other consumables under the distribution business segment.

Self-branded products business

Cost of sales of our Original Group's self-branded products business increased by approximately RMB0.9 million or 45.2% to approximately RMB2.9 million for the year ended 31 December 2017 from approximately RMB2.0 million for the year ended 31 December 2016. Such increase was mainly attributable to the significant increase in sales volume of our self-branded products.

Gross profit and gross profit margin

Our Original Group's overall gross profit increased by approximately RMB24.3 million or 29.0% to approximately RMB108.2 million for the year ended 31 December 2017 from approximately RMB83.9 million for the year ended 31 December 2016. Such increase was mainly due to the continuous growth of both our Original Group's distribution business and self-branded product business. The overall gross profit margin of our Original Group increased to 32.0% for the year ended 31 December 2017 from 28.9% for the year ended 31 December 2016. Such increase was primarily due to the increase in sales of our self-branded IVD products which has a much higher gross profit margin than that of the distribution business segment.

Distribution business

The gross profit of our Original Group's distribution business increased by approximately RMB13.7 million or 17.5% to approximately RMB92.2 million for year ended 31 December 2017 from approximately RMB78.5 million for the year ended 31 December 2016. Such increase was mainly due to the increased sales of the IVD products as our Original Group's distribution business continued to expand and is generally in line with the growth of revenue from distribution business. The gross profit margin of our Original Group's distribution business increased to approximately 28.9% for the year ended 31 December 2017 from approximately 27.7% for the year ended 31 December 2016. Such increase was primarily as a combined effect of the increased sales proportion of products with relatively higher profit margin, such as Sysmex' IVD products, and the decrease in the proportion of sales of products with relatively low gross profit margin, such as international brand A's products.

Self-branded products business

The gross profit of our Original Group's self-branded products business increased by approximately RMB10.6 million or 198.6% to approximately RMB16.0 million for the year ended 31 December 2017 from approximately RMB5.4 million for the year ended 31 December 2016. Such increase was primarily as a result of the acquisition of Suzhou DiagVita and commenced developing, manufacturing and selling self-branded IVD reagents in September 2016 and was generally in line with the increase of revenue from self-branded products business. The gross profit margin of our Original Group's self-branded products business increased to approximately 84.7% for the year ended 31 December 2017 from approximately 73.0% for the year ended 31 December 2016. Such increase was mainly attributable to the increase in the proportion of sales of our Original Group's self-branded IVD reagents which had a higher gross profit margin than self-branded IVD analysers.

Other income and gains

Our Original Group's other income decreased by approximately RMB0.3 million or 6.5% from approximately RMB5.2 million for the year ended 31 December 2016 to approximately RMB4.8 million for the year ended 31 December 2017. Such decrease was primarily due to the decrease in one-off government subsidies of RMB3.1 million granted by the PRC local government authorities to support research and development activities and was partially offset by (i) the increase of service income generated from provision of maintenance services to end customers of approximately RMB1.1 million as a result of our Original Group's increased sales under the distribution business segment; and (ii) the increase of other interest income of approximately RMB1.1 million as a result of loan to Vastec HK.

Our Original Group's gains increased to approximately RMB681,000 for the year ended 31 December 2017 from nil for the year ended 31 December 2016. Such an increase was primarily as a result of exchange gains derived from currency fluctuations between the HK dollar and RMB.

Selling and distribution expenses

Our Original Group's selling and distribution expenses decreased by approximately RMB1.4 million or 12.0% from approximately RMB11.7 million for the year ended 31 December 2016 to approximately RMB10.3 million for the year ended 31 December 2017. Such decrease was mainly due to (i) the decrease in our promotion fees of approximately RMB1.4 million as a result of decrease in printing and marketing expenses incurred and the decreased number of seminars and workshops organised by us; and (ii) the decrease in our maintenance fees of approximately RMB1.0 million due to a decrease of maintenance services performed by IVD (Shanghai) and Digital HK. Such decrease was partially offset by (i) the increase in staff costs of approximately RMB0.6 million due to the increased number of sales staff as a result of the acquisition of Suzhou DiagVita in 2016; (ii) the increase in travel and entertainment fees of approximately RMB0.5 million as a result of the increased number of promotion and marketing activities for expansion of our Original Group's distribution business and increased travel expenses incurred to boost and expand our sales network for self-branded IVD products after our acquisition of Suzhou DiagVita in 2016; and (iii) the increase in transportation fees of approximately RMB0.3 million as a result of the overall increase in sales volume.

Administrative expenses

Our Original Group's administrative expenses increased by approximately RMB3.0 million, or approximately 6.7%, to approximately RMB47.6 million for the year ended 31 December 2017 from approximately RMB44.6 million for the year ended 31 December 2016. Such an increase was mainly due to (i) the increase in our staff costs of RMB3.1 million due to the increase in our management and administrative personnel as a result of commencing our self-branded products business after the acquisition of Suzhou DiagVita in 2016; and (ii) the increase in depreciation of our property, plant and equipment and amortisation of our intangible assets of RMB2.8 million. Such an increase was partially offset by the decrease in legal and professional fees incurred mainly for the Reorganisation in 2016 of approximately RMB3.2 million. Please refer to the section headed "History, Reorganisation and Corporate Structure – Reorganisation – (6) Acquisitions of 51% of equity interest in Suzhou DiagVita by IVD China" in this prospectus for more details of the acquisitions.

Other expenses

Our Original Group's other expenses decreased by approximately RMB0.6 million or 66.7% from approximately RMB0.9 million for the year ended 31 December 2016 to approximately RMB0.3 million for the year ended 31 December 2017. Such decrease was primarily as a result of decreases in the foreign exchange losses of approximately RMB0.5 million and the decrease of goodwill impairment loss of approximately RMB0.3 million.

Finance costs

Our Original Group's finance costs decreased from approximately RMB98,000 for the year ended 31 December 2016 to nil for the year ended 31 December 2017. Such decrease was primarily as a result of our full repayment of our short-term bank loan in January 2016.

Share of profits of associates

Our Original Group's share of profits of associates increased by approximately RMB35.5 million or 103.4% to approximately RMB69.9 million for the year ended 31 December 2017 from approximately RMB34.4 million for the year ended 31 December 2016 as our Original Group acquired 40% interest in Vastec in May 2016, hence, only seven months of profits from Vastec were recorded for the year ended 31 December 2016. For further information on the share of profits of associates, please see the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

Income tax expense

Our Original Group's income tax expense increased by approximately RMB6.8 million or 76.8% to approximately RMB15.7 million for the year ended 31 December 2017 from approximately RMB8.9 million for the year ended 31 December 2016. Such an increase was mainly as a result of the increase in our taxable income due to our increased sales revenue. Our Original Group's effective tax rate decreased from 13.5% for the year ended 31 December 2016 to 12.3% for the year ended 31 December 2017 as share of profits from Vastec were already taxed and there was a loss in the revenue from other PRC subsidiaries within our Original Group.

Profit for the year

As a result of the foregoing, our Original Group's profit for the year increased by approximately RMB55.4 million or 97.0% to approximately RMB112.6 million for the year ended 31 December 2017, from approximately RMB57.2 million for the year ended 31 December 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our Original Group requires a substantial amount of capital to fund our working capital requirements, purchase of inventories and business expansion. Our Original Group's operation and growth have primarily been financed by cash generated from operations.

Cash flow

For the years ended 31 December 2016, 2017 and 2018, our Original Group had cash and cash equivalents of approximately RMB141.4 million, RMB79.3 million and RMB115.4 million, respectively. The following table sets out the cash flows of our Original Group for the years indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Cash flows generated from operating activities before changes in working capital	42,473	71,603	57,317
Net cash flows (used in)/from operating activities	(23,519)	19,717	1,959
Net cash flows (used in)/from investing activities	(49,891)	(57,680)	29,970
Net cash flows from/(used in) financing activities	204,397	(18,224)	59
Net increase/(decrease) in cash and cash equivalents	130,987	(56,187)	31,988
Cash and cash equivalents at the beginning of the year/period	12,621	141,374	79,307
Effect of foreign exchange rate changes, net	(2,234)	(5,880)	4,069
Cash and cash equivalents at the end of the year/period	141,374	79,307	115,364

Cash flows from/(used in) operating activities

Our Original Group derives its cash inflow from operating activities principally from the receipt of payments for the sales of IVD products. Our Original Group's cash outflow from operating activities is principally for purchases of inventories.

For the year ended 31 December 2016, our Original Group generated approximately RMB42.5 million operating cash flows before changes of working capital. Our Original Group had net cash used in operating activities of approximately RMB23.5 million, which was primarily contributed by an adjustment for share of profits of associates of approximately RMB34.4 million, a decrease in trade payables of approximately RMB23.9 million and an increase in inventories of approximately RMB20.7 million. The adjustment for share of profits from associates was an accounting treatment to eliminate the profit contribution from our Original Group's associated company by then, Vastec, as a result of our Original Group's acquisition of 40% equity interests in Vastec HK in May 2016. The increase in inventories was primarily due to the increased inventory stock-up of Sysmex' urinalysis products to in order to increase the likelihood to securing the distribution rights and be appointed as a regional distributor of Sysmex' urinalysis products in Shanghai. The decrease in trade payables was primarily due to the reduction of the outstanding trade payables to Vastec. These cash outflow was offset by our Original Group's profit before taxation of approximately RMB66.1 million and an increase in depreciation of approximately RMB10.3 million.

For the year ended 31 December 2017, our Original Group generated approximately RMB71.6 million operating cash flows before changes of working capital. Our Original Group had net cash generated from operating activities of approximately RMB19.7 million, which was primarily contributed by our Original Group's profit before taxation of approximately RMB128.3 million and an adjustment for depreciation of approximately RMB13.4 million. These cash inflow was offset by an adjustment for share of profits of associates of approximately RMB69.9 million and an increase in trade receivables of approximately RMB50.6 million. The increase in trade receivables was primarily due to revenue growth and longer payment settlement period by some of the new hospital customers.

For the year ended 31 December 2018, our Original Group generated approximately RMB57.3 million operating cash flows before changes of working capital. Our Original Group had net cash generated from operating activities of approximately RMB2.0 million, which was primarily contributed by our Original Group's profit before taxation of approximately RMB117.6 million and an adjustment for depreciation of approximately RMB16.5 million. These cash inflow was partially offset by an adjustment for share of profits of associates of approximately RMB76.5 million, an increase in trade receivables of approximately RMB36.2 million, an increase in inventories of approximately RMB3.6 million and a decrease in trade payables of approximately RMB5.0 million.

During the Track Record Period, our Original Group recorded a relatively low cash flow from operating activities. This was mainly attributable to (i) our Original Group increased stock-up of Sysmex' urinalysis products to demonstrate its capabilities of selling such products in Shanghai through its established sales network with wide coverage of hospitals to meet any increase in customer demand of such products, so as to increase the likelihood to be appointed as a regional distributor, and to secure the distribution rights, of Sysmex' urinalysis products in Shanghai; (ii) our Original Group's increased trade receivables due to the increasing revenue generated from hospitals and healthcare institutions, which had longer payment settlement periods; and (iii) the decrease in trade payable turnover days during the Track Record Period, primarily due to the shortened credit period for transactions with Vastec, as Vastec implemented stricter working capital management, especially for its sales of reagents and other consumables.

Going forward, considering our Original Group's tightened liquidity, we aim to further optimise our Original Group's cash flows by implementing the following policies and strategies: (i) we aim to further optimise our inventory level by speeding up the sales of our purchased products by utilising our expanded customer coverage and to reduce the inventory level to within one month; (ii) we aim to reduce the average turnover days of our Original Group's trade receivables by designating sales representatives to remind customers to settle payments at least a week ahead of the payment settlement date, and continue to follow up with such customers, to make sure that they will settle their payments on time; and (iii) leveraging on the integration with Vastec upon the Acquisition and greater bargaining power, we aim to negotiate better credit terms with suppliers in order to increase the average turnover days of our Original Group's trade payables.

Cash flows (used in)/from investing activities

Cash outflow for investing activities of our Original Group primarily consisted of payment for the purchases of property, plant and equipment and acquisition of associates. Cash inflow of our Original Group represented interest received and repayments from associates.

For the year ended 31 December 2016, our Original Group's net cash used in investing activities amounted to approximately RMB49.9 million, which was primarily due to the acquisition of associates of approximately RMB22.7 million resulting from the acquisition of 40% equity interests in Vastec HK in May 2016.

For the year ended 31 December 2017, our Original Group's net cash used in investing activities amounted to approximately RMB57.7 million, which was primarily due to advances to associates, including loans made to Vastec and Hunan Ankai Jiade (formerly known as Hunan Brahms Biotech Co., Ltd.), of approximately RMB52.7 million. This cash outflow was partially offset by the dividend received from associates of approximately RMB11.3 million.

For the year ended 31 December 2018, our Original Group's net cash generated from investing activities amounted to approximately RMB30.0 million, which was primarily due to repayments from associates of approximately RMB52.8 million and dividends received from associates of approximately RMB14.4 million. This cash inflow was partially offset by the advances to associates of approximately RMB22.3 million and purchases of property, plant and equipment of approximately RMB16.4 million.

Cash flows from/(used in) financing activities

Cash inflow for financing activities of our Original Group primarily consisted of proceeds from issue of Shares. Cash outflow of our Original Group for financing activities primarily consisted of dividends paid and repayment to shareholders.

For the year ended 31 December 2016, our Original Group's net cash generated from financing activities amounted to approximately RMB204.4 million, primarily contributed by the proceeds received from issue of Shares of approximately RMB210.6 million resulting from (i) the consideration paid by the Pre-IPO Investors for their aggregate subscription of 10,428,255 new Shares in May 2016; and (ii) the consideration paid by existing shareholders for their aggregate subscription of 41,811,403 new Shares pursuant to the Reorganisation in 2016. For further details of the Pre-IPO investment and Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure – Pre-IPO Investment" in this prospectus. These cash inflows were offset by dividends payment of approximately RMB26.1 million.

For the year ended 31 December 2017, our Original Group's net cash used in financing activities amounted to approximately RMB18.2 million, primarily due to our Original Group's repayment of approximately RMB10.3 million to shareholders and dividend payment of approximately RMB8.2 million to shareholders.

For the year ended 31 December 2018, our Original Group's net cash generated from financing activities amounted to approximately RMB59,000, primarily due to advances from shareholders of RMB235,000. The cash inflow was offset by repayment of approximately RMB176,000 to shareholders.

Current assets and liabilities

The following table sets out details of current assets and liabilities of our Original Group as at the dates indicated:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)[(1)]
Current assets				
Inventories	37,247	47,838	51,408	715,359
Trade and bills receivables	75,547	126,128	162,350	284,793
Prepayments and other receivables	23,559	14,659	14,316	164,069
Amounts due from associates	151	52,773	22,292	960
Amounts due from shareholders	120	896	837	1,763
Pledged deposits	–	–	–	44,472
Cash and cash equivalents	141,374	79,307	115,364	303,564
Total current asset	277,998	321,601	366,567	1,514,980

	As at 31 December			As at 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)[(1)]
Current liabilities				
Trade payables	34,022	41,458	36,454	179,144
Other payables and accruals	14,094	14,449	12,377	71,341
Lease liabilities	–	–	–	13,438
Amounts due to shareholders	9,561	320	320	743,693[(2)]
Tax payable	5,965	12,034	20,611	10,190
Interest-bearing bank borrowings	–	–	–	100,000
Total current liabilities	63,642	68,261	69,762	1,117,806
Net current assets:	**214,356**	**253,340**	**296,805**	**397,174**

Notes:

(1) As the Acquisition was completed on 25 January 2019, the current assets and liabilities of our Group were calculated on a consolidated basis.

(2) The amounts due to shareholders as at 30 April 2019 mainly represented a consideration of approximately RMB406.3 million for the Acquisition and the Special Dividend payable of approximately RMB270.0 million, which will be paid from the net proceeds of the Global Offering. For further details please also refer to the section headed "Future Plans and Use of Proceeds – Use of proceeds" in this prospectus. The remainder of the amounts due to shareholders as at 30 April 2019 will be settled before Listing by utilising our own capital resources (including our existing cash resources, as well as available and future banking facilities).

Net current assets of our Original Group increased from approximately RMB214.4 million as at 31 December 2016 to approximately RMB253.3 million as at 31 December 2017. This was primarily due to (i) the increase in amounts due from associates of approximately RMB52.6 million mainly due to a loan to Vastec HK, and (ii) the increase in trade receivables of approximately RMB50.6 million, as a result of the longer payment settlement by some of the new hospital customers. The net increase in net current assets of our Original Group was partially offset by the decrease of cash and cash equivalents of approximately RMB62.1 million as a result of net cash used in investing and financing activities.

Net current assets increased from approximately RMB253.3 million to approximately RMB296.8 million as at 31 December 2018. This was primarily due to (i) an increase in trade receivables of approximately RMB36.2 million; and (ii) an increase in the balance of cash and cash equivalents by approximately RMB36.1 million, mainly as a result of cash generated from operating and investing activities.

Working capital sufficiency statement

As at 30 April 2019, being the latest practicable date for the purpose of indebtedness statement in this prospectus, our Original Group did not have any bank borrowings, and had no unutilised banking facilities. Our Directors believe that after taking into consideration the financial resources available to us, including cash flows from operations, banking facilities and estimated net proceeds from the Global Offering, our Original Group has sufficient working capital for at least 12 months commencing from the date of this prospectus.

CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Inventories of our Original Group primarily consist of raw materials, work in progress and finished goods. We procure products from our suppliers on an ongoing basis to maintain at least two months inventory level to meet our business needs based on our sales projection. Our inventory is managed through an enterprise resources management system. There is a 24-hour monitoring procedure at the main entrance and main public areas of the warehouses. We will first provide to our suppliers a prediction of our purchase amount four months in advance followed by placing of individual purchase orders with our suppliers specifying the product quantities and delivery terms. It normally takes around two weeks from placing a purchase order with our suppliers to the delivery of products to our warehouse. We need to maintain a sufficient level of inventory to meet our customers' needs based on our sales projection taking into account the historical orders made by our customers, end consumer's demand, market trend and expected promotional plans. The following table sets out the breakdown of inventories of our Original Group as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Raw materials	789	1,204	2,212
Work in progress	150	–	–
Finished goods	36,308	46,634	49,196
Total:	**37,247**	**47,838**	**51,408**

Inventories of our Original Group increased from approximately RMB37.2 million as at 31 December 2016 to approximately RMB47.8 million as at 31 December 2017 and further increased to approximately RMB51.4 million as at 31 December 2018. Such increases were primarily due to the increased purchases of IVD products as a result of the continuous business expansion of our Original Group's distribution business and the increased purchases of raw materials for the self-branded products business segment.

During the Track Record Period, our Original Group has implemented a comprehensive inventory management and monitoring policy, and generally maintains an inventory level of one to two months. According to this policy, our Directors determine the appropriate level of inventory to be maintained according the prevailing needs of our Original Group, based on market feedback obtained from our distributors and the expiry date of reagents and consumables purchased. In addition, our management team will receive and review inventory reports from the sales department on a monthly basis to assess the reasonableness of the inventory level of our Original Group. Our Original Group has employed an ERP system to track in-coming and out-going inventories. This system enables us to monitor levels of inventories on a timely basis so as to maintain an optimum level. During the Track Record Period and up to the Latest Practicable Date, we did not experience any shortage in the supply of our IVD products. Going forward, we aim to further optimise our inventory level by speeding up the sales of our purchased products by utilising our expanded customer coverage and to reduce the inventory level to within one month.

As at 30 April 2019, approximately RMB37.7 million or 73.4% of our Original Group's inventories as at 31 December 2018 had been sold or utilised.

The following table sets out the average inventory turnover days of our Original Group for the periods indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
Average inventory turnover days[(1)] . . .	47	67	61

Note:

1. Average inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant year divided by cost of sales of the relevant year and multiplied by 365 days.

The average inventory turnover days of our Original Group increased from approximately 47 days for the year ended 31 December 2016 to approximately 67 days for the year ended 31 December 2017, primarily due to the increased inventory stock-up of the distributed IVD products and self-branded IVD products as a result of the both expansion of our Original Group's distribution business and self-brand products segments.

The average inventory turnover days decreased to approximately 61 days for the year ended 31 December 2018, primarily due to the increase of cost of sales as a result of business growth.

Goodwill

Goodwill represents goodwill arising from business combinations and acquisition of subsidiaries. The following table sets out our Original Group's goodwill for the periods indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Net carrying amount at beginning of the year	–	6,639	6,639
Acquisition of subsidiaries	6,939	–	–
Impairment during the year	(300)	–	–
Net carrying amount at end of the year	6,639	6,639	6,639
Cost	6,939	6,939	6,939
Accumulated impairment	(300)	(300)	(300)
Net carrying amount	6,639	6,639	6,639

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to cash-generating unit of Suzhou DiagVita ("**DiagVita CGU**") and cash-generating unit of the group comprising Digital HK and Digital China ("**DID CGU**") for impairment testing.

DiagVita CGU

The recoverable amount of DiagVita CGU has 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 rates applied to the cash flow projections were 16.9%, 16.0% and 15.8% at 31 December 2016, 2017 and 2018, respectively. The growth rate used to extrapolate the cash flows of DiagVita CGU within five-year period was from 15% to 80% at 31 December 2016, 2017 and 2018. The growth rate used to extrapolate the cash flows of DiagVita CGU beyond the five-year period was 3.0% at 31 December 2016, 2017 and 2018. This growth rate is benchmarked to comparable listed companies in the medical equipment and consumables industry. Goodwill of RMB6,639,000 has been recognised for the step acquisition of Suzhou DiagVita on 15 August 2016.

In the opinion of our Directors, the estimated recoverable amount of the DiagVita CGU exceeded its carrying amount by approximately RMB21,351,000, RMB95,183,000 and RMB3,604,000 as at 31 December 2016, 2017 and 2018, respectively. A decrease in the growth rate by 5% to 8% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately RMB47,000 to RMB3,469,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

DID CGU

The recoverable amount of DID CGU has 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 rates applied to the cash flow projections were 16.9%, 16.0% and 15.8% at 31 December 2016, 2017 and 2018, respectively. The growth rate used to extrapolate the cash flows of DID CGU within the five-year period was 10% at 31 December 2016, 2017 and 2018. The growth rate used to extrapolate the cash flows of DID CGU beyond the five-year period was 3.0% at 31 December 2016, 2017 and 2018. This growth rate is benchmarked to comparable listed companies in the medical equipment and consumables industry. Goodwill of RMB300,000 has been recognised for the acquisition of Digital HK and its subsidiary, Digital China on 1 May 2016.

During the year ended 31 December 2016, our Original Group recognised an impairment loss of RMB300,000 related to goodwill arising on DID CGU due to a decrease in sales revenue for the year ended 31 December 2016 as compared to the budget and the expected future cashflows also decreased. As a result, the difference of the recoverable amount, which is the value-in-use, and the carrying amount (comprising goodwill) is recognised as an impairment loss and charged to profit or loss. The carrying amount of goodwill was fully impaired and had a balance of nil as at 31 December 2016, 2017 and 2018.

Vastec CGU

As a result of the completion of the Acquisition in January 2019, we would also record a significant amount of goodwill and intangible assets. Based on the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" as set out in Appendix IIIB to this prospectus, the enlarged group would have recorded goodwill amounted to approximately RMB1.09 billion and would have recorded intangible assets of RMB416,801,000 as at 31 December 2018 from the Acquisition. Please refer to Note 4 to the "Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group" as set out in Appendix IIIB in to this prospectus for details.

Goodwill and the intangible assets acquired through business combinations are allocated to the Vastec CGU for impairment testing. As at 31 December 2018, the recoverable amount of Vastec CGU has 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 rates applied to the cash flow projections were 12.93%. The growth rate used to extrapolate the cash flows of Vastec CGU within five-year period was from 6% to 19%. The growth rate used to extrapolate the cash flows of Vastec CGU beyond the five-year period was 3.0%. This growth rate is benchmarked to comparable listed companies in the medical equipment and consumables industry.

In the opinion of our Directors, based on the results of the goodwill and the intangible assets impairment testing, the estimated recoverable amount of the Vastec CGU exceeded its carrying amount by approximately RMB656,287,000 as at 31 December 2018.

Trade receivables

Trade receivables of our Original Group primarily relate to receivables for products sold to customers. Our Original Group generally grants credit period of 120 days to its customers.

The following table sets out a breakdown of trade receivables of our Original Group as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Trade receivables	79,362	127,019	165,089
Impairment	(3,815)	(891)	(2,739)
Total	**75,547**	**126,128**	**162,350**

Note: It is included in our Original Group's trade and bill receivables an amount due from our Original Group's associate of approximately RMB51,000, approximately RMB2,299,000 and approximately RMB69,000 as at 31 December 2016, 2017 and 2018, which is repayable on credit terms similar to those offered to the major customers of our Original Group.

Trade receivables of our Original Group increased from approximately RMB75.5 million as at 31 December 2016 to approximately RMB126.1 million as at 31 December 2017 and further increased to approximately RMB162.4 million as at 31 December 2018, primarily due to revenue growth and longer payment settlement period by some of the new hospital customers.

The senior management of our Original Group closely and actively monitors the recoverability of receivables on a regular basis, and when appropriate, provides for impairment for these trade receivables. Our Original Group typically reviews the recovery status of the trade receivables from customers on a case-by-case basis and maintains strict control over our outstanding receivables and has a credit control department to minimise the credit risk. In order to reduce the average turnover day of our Original Group's trade receivables, our Original Group will designate sales representatives dedicated to remind its customers to settle their accounts at least one week ahead of the settlement date, and will continue to follow up with such customers, to make sure that they will settle their payments on time. As at 31 December 2016, 2017 and 2018, our Original Group had an aggregate carrying amount of approximately RMB79.4 million, approximately RMB127.0 million and approximately RMB165.1 million, respectively. Our Directors consider that there has not been a significant change in credit quality and the balances are still considered recoverable bases on its historical experience. Further, based on the requirement under HKFRS 9 which came into effect on 1 January 2018, our Directors assessed and provided impairment of trade receivables of approximately RMB3.8 million, approximately RMB0.9 million and approximately RMB2.7 million as at 31 December 2016, 2017 and 2018, respectively. For more details, please refer to section headed "Financial

Information of our Original Group – Quantitative and qualitative disclosures about market risk – Credit risks" in this prospectus and Note 18 to accountant's reports in Appendix I to this prospectus. Our Directors believe that our policy for the provision of impairment of trade receivables of our Original Group is adequate.

The following table sets out the ageing analysis of the trade receivables of our Original Group as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Within 1 month	31,319	101,739	149,732
1 to 2 months	23,172	6,714	3,408
2 to 3 months	7,947	2,397	2,941
Over 3 months	13,109	15,278	6,269
	75,547	**126,128**	**162,350**

As at 30 April 2019, approximately RMB102.7 million or approximately 62.2% of our Original Group's trade receivables before impairment as at 31 December 2018 had been settled.

The following table sets out the average turnover days of our Original Group's trade receivables for the periods indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
Average turnover days of our trade receivables[(1)]	95	111	129

Note:

(1) Average turnover days of our Original Group's trade receivables equal to the average of the opening and closing balances of gross trade receivables for the relevant financial year divided by revenue for the relevant financial year and multiplied by 365 days.

The average turnover days of our Original Group's trade receivables increased from approximately 95 days for the year ended 31 December 2016 to approximately 111 days for the year ended 31 December 2017 and further increased to approximately 129 days for the year ended 31 December 2018. Such increases were primarily due to the longer payment settlement by some of the new hospital customers as our Original Group's sales network continued to expand.

Prepayments and other receivables

Prepayments and other receivables of our Original Group primarily consisted of prepayments of IVD reagents and other consumables to suppliers. The following table sets out a breakdown of our other receivables as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	21,933	13,289	12,664
Deposits and other receivables	1,626	1,370	1,652
	23,559	14,659	14,316

Prepayments and other receivables amounted to approximately RMB23.6 million, approximately RMB14.7 million and approximately RMB14.3 million as at 31 December 2016, 2017 and 2018, respectively.

Amounts due from/to shareholders

Amounts due from shareholders primarily represent the amounts due from Mr. Lin and Mr. Ho. Amounts due from shareholders were approximately RMB0.1 million, approximately RMB0.9 million and approximately RMB0.8 million as at 31 December 2016, 2017 and 2018, respectively. Amounts due to shareholders primarily represent the shareholders loan from Mr. Ho, Mr. Leung and Shinva to support the operation of our self-branded products business. Amounts due to shareholders were approximately RMB9.6 million, RMB0.3 million and RMB0.3 million as at 31 December 2016, 2017 and 2018, respectively. Such amounts due to and from shareholders will be fully repaid and settled before the Listing Date.

Trade payables

Trade payables of our Original Group primarily represent purchases of IVD analysers and IVD reagents and consumables from suppliers. Suppliers generally offer a credit period of 60 days to our Original Group, and our Original Group generally settles payables in Renminbi in the PRC and in Hong Kong dollars in Hong Kong.

Trade payables of our Original Group increased from approximately RMB34.0 million as at 31 December 2016 to approximately RMB41.5 million as at 31 December 2017. Such an increase was primarily due to the increased purchases of Sysmex' urinalysis products resulting from our Original Group's appointment as regional distributor of Sysmex' urinalysis products in Shanghai in 2016 and increased purchase of other IVD products as Original Group's business continued to grow. Trade payables of our Original Group decreased to approximately RMB36.5 million as at 31 December 2018, such decrease was primarily due to the settlement of trade payables with Vastec at such balance sheet date.

The following table sets out the ageing analysis of our Original Group's trade payables as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Within 1 month	26,236	33,517	36,087
1 to 2 months	7,079	6,943	293
2 to 3 months	6	410	–
Over 3 months	701	588	74
	34,022	**41,458**	**36,454**

Note: The trade payables include trade payables of approximately RMB19,345,000, approximately RMB23,552,000 and approximately RMB21,454,000 as at 31 December 2016, 2017 and 2018, respectively, due to an associate which are repayable within 60 days. The credit terms are similar to those offered by the associate to its major customers.

As at 30 April 2019, approximately RMB36.3 million, or approximately 99.5%, of our Original Group's trade payables as at 31 December 2018 had been settled.

The following table sets out the average turnover days of our trade payables for the periods indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	(Days)	**(Days)**	**(Days)**
Average turnover days of our trade payables[1]	81	60	48

Note:

(1) Average turnover days of our trade payables equal to the average of the opening and closing balances of trade payables for the relevant financial year divided by cost of sales of the relevant financial year and multiplied by 365 days.

The average turnover days of our Original Group's trade payables decreased from 81 days for the year ended 31 December 2016 to 60 days for the year ended 31 December 2017 primarily due to the shortened credit period for transactions with Vastec as Vastec implemented more effective stricter working capital management. Our Original Group's average turnover days of our trade payables further decreased to 48 days for the year ended 31 December 2018 primarily due to similar reasons as above.

Other payables and accruals

Our Original Group's other payables and accruals primarily comprise of the accruals for staff costs and welfare payables, accrued employee compensation, value-added tax, other taxes and deferred income.

The following table sets out a breakdown of our other receivables as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Contract liabilities	1,565	764	1,080
Other payables	3,986	5,983	3,070
Accruals	5,560	6,093	7,040
Deferred income	2,983	1,609	1,187
Total:	**14,094**	**14,449**	**12,377**

Our Original Group's other payables and accruals increased from approximately RMB14.1 million as at 31 December 2016 to approximately RMB14.4 million as at 31 December 2017, primarily due to the increase in accrued staff costs and advances from customers. Our Original Group's other payables and accruals decreased to approximately RMB12.4 million as at 31 December 2018, primarily due to decreased value-added tax payables at the end of the year. Our Original Group's deferred income decreased from approximately RMB3.0 million as at 31 December 2016 to approximately RMB1.6 million as at 31 December 2017 primarily as a result of realisation of deferred income of government subsidies. Our Original Group's deferred income decreased from approximately RMB1.6 million as at 31 December 2017 to approximately RMB1.2 million as at 31 December 2018, primarily as a result of the similar reason discussed above.

INDEBTEDNESS

Bank loans and borrowings

As at 30 April 2019, being the latest practicable date for the purpose of indebtedness statement in this prospectus, our Original Group did not have any bank borrowings, and had no unutilised banking facilities. Our Original Group also did not have any outstanding mortgages, changes, debentures, bank overdrafts, or debt securities, issued or outstanding, or authorised or otherwise created but unissued or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credit or any guarantee outstanding as at 30 April 2019.

CAPITAL EXPENDITURES

Historical capital expenditures

The following table sets out our Original Group's historical capital expenditures during the periods indicated:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	22,373	18,046	16,439

The capital expenditures incurred for the years ended 31 December 2016, 2017 and 2018 primarily related to purchase of (i) IVD analysers for renting to hospitals and healthcare institutions under distribution business segment; (ii) computers and vehicles; and (iii) other office equipment.

Planned capital expenditures

Save for the planned capital expenditure as disclosed in the section headed "Future Plans and Use of Proceeds" and the working capital necessary for our Original Group's business operations, we had no material planned capital expenditures as at the Latest Practicable Date.

CONTRACTUAL COMMITMENTS

Operating lease commitments

Our Original Group leases certain office and warehouse properties under operating lease arrangements. Leases for offices and warehouses are negotiated for terms of 2 to 3 years.

The following table sets out the outstanding commitments for future minimum lease payments under our Original Group's non-cancellable lease arrangements as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	3,474	2,842	2,475
In the second to fifth years, inclusive	882	2,104	4,943
Total:	**4,356**	**4,946**	**7,418**

As at 31 December 2016, 2017 and 2018, our Original Group had a total operating lease commitment of approximately RMB4.4 million, RMB4.9 million and RMB7.4 million, respectively. As at 30 April 2019, we had total lease liabilities of approximately RMB31.7 million with the adoption of IFRS 16 which has become effective for annual periods beginning on or after 1 January 2019.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Original Group had entered into certain related party transactions in relation to the sales and purchase of IVD products, provision of service, lease of premises and loan to an associate, details of which are set out in note 28 to the accountants' report in Appendix I to this prospectus. Our Directors are of the view that these related party transactions as a whole were conducted in the ordinary course of our Group's business and generally on an arm's length basis.

Our Directors are of the view that the aforesaid related party transactions did not distort our Original Group's financial results during the Track Record Period or cause our Original Group's Track Record Period results to be unreflective of our future performance. Please see the section headed "Connected Transactions" for details.

CONTINGENT LIABILITIES

As at 31 December 2016, 2017 and 2018, our Original Group had no material contingent liabilities. If our Original Group was involved in material legal proceedings, our Original Group would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. As at the Latest Practicable Date, our Original Group had no material contingent liabilities. Our Original Group is not currently involved in any significant litigation and our Original Group is not aware of any outstanding or threatened significant litigation.

FINANCIAL RATIOS

	Year ended 31 December		
	2016	**2017**	**2018**
	%	%	%
Gross profit margin[(1)]	28.9	32.0	28.2
Net profit margin[(2)]	19.7	33.3	24.1
Return on assets[(3)]	11.7	12.8	10.1
Return on equity[(4)]	14.6	14.0	11.6

	As at 31 December		
	2016	2017	2018
	Times	Times	Times
Current ratio[5]	4.4	4.7	5.3
Quick ratio[6]	3.8	4.0	4.5
Debt to equity ratio[7]	–	–	–

Notes:

(1) Gross profit margin equals our gross profit for the financial year divided by revenue for the same financial year.

(2) Net profit margin equals our net profit after tax for the financial year divided by revenue for the same financial year.

(3) Return on assets equals net profit for the financial year divided by average total assets as at the end of the financial year.

(4) Return on equity equals net profit attributable to owner of the Company for the financial year divided by average equity attributable to owner of the Company as at the end of the financial year.

(5) Current ratio equals our total current assets divided by total current liabilities as at the end of the financial year.

(6) Quick ratio equals our total current assets less inventories divided by total current liabilities as at the end of the financial year.

(7) Debt to equity ratio equals total debt divided by total equity as at the end of the financial year. Debt means interest-bearing borrowings.

Net profit margin

Our Original Group recorded net profit margin of approximately 19.7%, 33.3% and 24.1% for the years ended 31 December 2016, 2017 and 2018. The net profit margin increased from approximately 19.7% for the year ended 31 December 2016 to approximately 33.3% for the year ended 31 December 2017. Such an increase was primarily as a result of the increase in gross profit margin for the same period due to the continuous growth of the business of our Original Group. The net profit margin decreased from approximately 33.3% for the year ended 31 December 2017 to approximately 24.1% for the year ended 31 December 2018. Such decrease was primarily due to the listing expenses incurred for the Global Offering.

Return on total assets

Our Original Group had return on total assets of approximately 11.7%, 12.8% and 10.1% for the years ended 31 December 2016, 2017 and 2018. Our Original Group's return on total assets increased from 11.7% as at 31 December 2016 to 12.8% as at 31 December 2017. Such an increase was primarily due to the continuous growth of our business and the profit generated from the associated company Vastec was included in our amount for the full year of 2017. Our Original Group's return on total assets decreased from approximately 12.8% as at 31 December 2017 to approximately 10.1% as at 31 December 2018. Such a decrease was primarily due to the listing expenses incurred for the Global Offering.

Return on equity

Our Original Group had return on equity of approximately 14.6%, 14.0% and 11.6% for the years ended 31 December 2016, 2017 and 2018. Our Original Group's return on equity decreased from 14.6% for the year ended 31 December 2016 to 14.0% for the year ended 31 December 2017, which was mainly due to the increase of equity as a result of shares issued in 2016. Our Original Group's return on equity decreased from approximately 14.0% for the year ended 31 December 2017 to approximately 11.6% for the year ended 31 December 2018. Such a decrease was primarily due to the listing expenses incurred for the Global Offering.

Current ratio

Our Original Group had current ratio of approximately 4.4 times, 4.7 times and 5.3 times as at 31 December 2016, 2017 and 2018, respectively. Our Original Group's current ratio increased from approximately 4.4 times as at 31 December 2016 to approximately 4.7 times as at 31 December 2017. Such an increase was primarily due to the increase in amount due from associates and increase in trade receivables. Our Original Group's current ratio further increased from approximately 4.7 times as at 31 December 2017 to approximately 5.3 times as at 31 December 2018. Such an increase was primarily due to the increase in trade receivables and increase in cash and cash equivalents.

Quick ratio

Our Original Group had quick ratio of approximately 3.8 times, 4.0 times and 4.5 times as at 31 December 2016, 2017 and 2018, respectively. Our Original Group's quick ratio increased from approximately 3.8 times as at 31 December 2016 to approximately 4.0 times as at 31 December 2017. Such an increase was primarily due to the increase in amount due from associates and increase in trade receivables. Our Original Group's quick ratio increased from approximately 4.0 times as at 31 December 2017 to approximately 4.5 times as at 31 December 2018. Such an increase was primarily due to the increase in trade receivables and increase in cash and cash equivalents.

Debt to equity ratio

The debt to equity ratio of our Original Group was nil as at 31 December 2016, 2017 and 2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Our Directors confirm that our Original Group had not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our Original Group is exposed to various types of market risks in the ordinary course of our business, including credit risks, liquidity risks and fluctuations in interest rates. Our Original Group manages its exposure to these and other market risks through regular operating and financial activities.

Interest rate risk

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

Foreign currency risk

Our Original Group has transactional currency exposures. Such exposures arise from bank deposits held by operating units in currencies other than the units' functional currencies. For the years ended 31 December 2016, 2017 and 2018, approximately 62.0%, 16.5% and 29.6% of our Original Group's cash and cash equivalents were denominated in currencies other than the functional currency of the operating units, respectively.

Credit risk

Our Original Group trades only with recognised and creditworthy third parties. It is our Original 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 our Original Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, our Original Group does not offer credit terms without the specific approval of the head of credit control.

Liquidity risk

Our Original Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short term bank loans and projected cash flows from operations.

DISTRIBUTABLE RESERVES

Under the Companies Law, our Group may pay dividends out of its profit or its share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, it remains able to pay our Original Group's debts as and when they fall due in the ordinary course of business. As at 31 December 2016, 2017 and 2018, distributable reserve of our Original Group was approximately RMB38.7 million, approximately RMB141.3 million and approximately RMB240.7 million respectively.

LISTING EXPENSES

The estimated total listing fees for our Global Offering, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are approximately RMB84.4 million (based on an Offer Price of HK$3.38 per Share, being the mid-point of the estimated Offer Price range, and assuming the Over-Allotment Option is not exercised). Among the estimated total listing fees, the amount of listing expenses to be recorded in the consolidated income statements and the amount to be debited to share premium upon Listing are approximately RMB35.1 million and approximately RMB49.3 million, respectively. During the Track Record Period, our Original Group have recorded a total of approximately RMB12.5 million in listing expenses relating to the Global Offering in the consolidated income statements.

DIVIDEND POLICY

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our discretion.

Our Original Group declared dividends of RMB26.1 million, approximately RMB8.2 million and nil to the then respective shareholders for the years ended 31 December 2016, 2017 and 2018, respectively. All these dividends had been fully settled as of 31 December 2018, which were paid using internal resources of our Original Group.

We currently intend to adopt, after our Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of not less than 20% of our distributable net profit attributable to our equity shareholders in the future.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position since 31 December 2018 and there is no event since 31 December 2018 which would materially affect the information shown in the accountants' report in Appendix I to this prospectus.

POST BALANCE SHEET EVENTS

Please see the section headed "Summary – Recent development" and note 35 to the Accountants' Report on our Original Group in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the enlarged group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the enlarged group attributable to owners of the Company as if the Global Offering had taken place on 31 December 2018. This unaudited pro forma statement of adjusted consolidated net tangible assets of the enlarged group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the enlarged group had the Global Offering been completed as at 31 December 2018 or any future dates:

	Unaudited pro forma consolidated net tangible assets attributable to owners of the Company as at 31 December 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(note 1)	*(note 2)*			*(note 3, 4)*
Based on an Offer Price of HK$3.07 per Offer Share	460,360	819,893	1,280,253	0.96	1.09
Based on and Offer Price of HK$3.68 per Offer Share	460,360	991,689	1,452,049	1.09	1.24

Notes:

1. The unaudited pro forma consolidated net tangible assets attributable to the owners of the Company as at 31 December 2018 is arrived at after deducting goodwill of the RMB1,087,899,000 and other intangible assets of the RMB444,855,000 from the unaudited pro forma consolidated net assets of RMB1,993,114,000 attributable to the owners of the Company as at 31 December 2018, as shown in Appendix IIIB to this prospectus.

   The unaudited pro forma consolidated net tangible assets has taken into account (i) the special dividends declared on 25 January 2019 of amount approximately RMB69 million and RMB400 million payable by the Company and Vastec Medical Limited ("**Vastec**"); and (ii) the acquisition of Vastec and its subsidiary (collectively the "**Vastec Group**") by the Original Group on 25 January 2019.

2. The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$3.07 and HK$3.68 per Share, being the lower end to higher end of the stated offer price range, after deduction of the estimated underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of any options granted under the ESOP.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments described in note (2) above and on the basis of 1,333,400,000 Shares, which comprise of 84,578,797 Shares in issue as at the date of this prospectus (including 32,339,139 new Shares issued by our Company on 25 January 2019), 915,421,203 Shares to be issued under the Capitalisation Issue and 333,400,000 Shares to be issued under the Global Offering, assuming that the Global Offering had been completed on 31 December 2018 but takes no account of any Shares which may be issued upon the exercise of any options granted or to be granted under the ESOP or the Share Option Scheme.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2018.

You should read the following discussion and analysis of the financial position and results of operations of Vastec, which, subsequent to the Acquisition, is our wholly-owned subsidiary, in conjunction with the consolidated financial statements and the accompanying notes set out in Appendix II to this prospectus. Vastec's consolidated financial statements have been prepared in accordance with IFRS. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance of Vastec. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. Please also see the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus.

ACQUISITION BY OUR GROUP

Vastec had been an associate of our Original Group during the Track Record Period. Prior to the Acquisition, Vastec was owned as to 40% by our Original Group and 60% by Huatuo.

Vastec has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997. According to Frost & Sullivan, Vastec was the fourth largest tier 1 distributor of IVD products with a market share of approximately 2.4% in terms of revenue generated among all tier 1 distributors in the PRC IVD market in 2018. During the Track Record Period, Vastec was our Original Group's largest supplier. Our Original Group's purchases from Vastec accounted for approximately 41.6%, 37.0% and 36.9% of our Original Group's total purchases of IVD products for the years ended 31 December 2016, 2017 and 2018, respectively.

On 25 January 2019, our Original Group entered into the Vastec HK Share Purchase Agreement with Huatuo, pursuant to which our Original Group agreed to acquire the remaining 60% equity interest of Vastec from Huatuo. Upon completion, Vastec became our wholly-owned subsidiary.

For further details of the corporate history of Vastec, the Acquisition and the business of Vastec, please refer to the sections headed "History, Reorganisation and Corporate Structure – Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors – Phase 2: Pre-IPO Investment in 2019 with Huatuo" in this prospectus.

BASIS OF PREPARATION

The financial statements of Vastec are presented on a consolidated basis and are prepared in accordance with the IFRS and under the historical cost convention. All IFRSs effective for the accounting period commencing from 1 January 2018, including IFRS 9 *Financial Instruments* ("**IFRS 9**"), IFRS 15 *Revenue from Contracts with Customers* and related amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* ("**IFRS 15**"), have been early adopted by Vastec in the preparation of the Historical Financial Information throughout the Relevant Periods. Vastec has assessed the effects of adoption of IFRS 9 and IFRS 15 on the Historical Financial Information and it considered that the adoption did not have a significant impact on its financial position and financial performance as compared to IAS 39 and IAS 18. Details regarding the basis of preparation of the financial statements of Vastec are set out in Note 2.1 to the accountants' report in Appendix II to this prospectus.

FACTORS AFFECTING VASTEC'S RESULTS OF OPERATIONS

Relationship with Sysmex

Vastec has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997. During the Track Record Period, a significant portion of Vastec's IVD products were supplied by Sysmex and it accounted for approximately 94.7%, 94.7% and 94.9% of the total purchase of Vastec, respectively. In addition, revenue generated from the distribution of Sysmex' haemostasis products amounted to approximately 92.8%, 90.4% and 88.1% of Vastec's total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. Consequently, the business and results of operations of Vastec heavily depend on the stable supply of IVD products from Sysmex. It cannot be assured that there will not be any dispute with the major suppliers of Vastec, in particular Sysmex. If Sysmex reduces the sales of its products to Vastec or end the business relationship with Vastec, it cannot be assured that Vastec will be able to find alternative suppliers for similar products and the business, results of operations and financial conditions of Vastec may be materially and adversely affected.

The development of relevant PRC regulations and government policies, in particular the future implementation of two invoice system

The distribution business of Vastec is regulated by the PRC regulations and government policies, in particular the two invoice system. Two invoice system refers to the mechanism where only up to two invoices are issued along the product procurement chain, with one issued by the manufacturers and the other issued by the distributors directly to the hospitals. The implementation of two invoice system compresses the distribution value chain into one single layer. As at the Latest Practicable Date, most of the regions that Vastec distributes its IVD products have not applied the two invoice system to the IVD products industry, and it is uncertain whether and to what extent the business operation of Vastec will be affected by the future implementation of two invoice system to the IVD products industry. As the nationwide implementation of two invoice system is still at an early stage, the interpretations and enforcement details have been evolving and are subject to uncertainties. Therefore, we are unable to predict how the distribution business models will evolve in different provinces of the PRC and whether and how that will affect Vastec's results of operations. Please see the sections headed "Regulatory Overview – The two invoice system" and "Risk Factors – Our business operation, financial results and our cashflow may be adversely affected if the "two invoice system" is fully implemented in the IVD industry" for detailed information.

Competition in the PRC IVD market

According to Frost & Sullivan, the IVD market in the PRC is highly competitive and fragmented. Vastec primarily competes with more than 10,000 distributors in the PRC who are engaged in the distribution business in the PRC IVD market. If Vastec fails to compete effectively in the PRC IVD market, the market share and profit margin of Vastec may decline and the business, results of operations and financial condition may be materially and adversely affected.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our directors have identified certain accounting policies that are significant to the preparation of the consolidated financial statements of Vastec. Our directors have also made certain accounting judgements and estimates in the process of applying the accounting policies. When reviewing the consolidated financial statements of Vastec, you should consider (i) the selection of the critical accounting policies; (ii) the judgement and estimates affecting the application of such policies; and (iii) the sensitivity or reported results to change in conditions and estimates. We set out below those accounting judgement and estimates used in the preparation of the consolidated financial statements of Vastec. The significant accounting policies, judgements and estimates, which are important for an understanding of the financial position and results of operations of Vastec, are more detailed set out in Notes 2.2 to 2.4 to the accountant's report in Appendix II to this prospectus.

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

(a) *Sales of goods*

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

(b) *Provision of consultancy and maintenance services*

Revenue from the provision of consultancy and 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 Vastec Group.

Other income

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

Impact of IFRS changes

Vastec has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

Notes:

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

Vastec is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. Further information about those IFRSs that are expected to be applicable to Vastec is described below:

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. Vastec will adopt IFRS 16 from 1 January 2019. In addition, Vastec plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using Vastec's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. Vastec plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, Vastec has performed a detailed assessment on the impact of adoption of IFRS 16. The Vastec Group has estimated that right-of-use assets of RMB29,114,000 and lease liability of RMB29,887,000 will be recognised at 1 January 2019.

Property, plant and equipment and depreciation

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

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

Service equipment	20%
Fixture and furniture	20% – 33.3%
Office equipment	20% – 33.3%
Motor vehicles	20%

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.

Inventories

Inventories are stated at the lower cost and net realisable value. Cost is determined on the weighted average cost method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Significant accounting judgments and estimates

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

Estimation uncertainty

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

Write-down of inventories to net realisable value

Management reviews the condition of inventories of Vastec and writes down the carrying amounts of obsolete and slow-moving inventories items which are identified as no longer suitable for sale or use to their respective net realisable values. Vastec estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of the reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made. The carrying amount of inventories at 31 December 2016, 2017 and 2018 were approximately RMB422.8 million, RMB473.6 million and RMB525.8 million, respectively.

Provision for expected credit losses on trade receivables

Vastec 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 (i.e., by customer type and rating).

The provision matrix is initially based on Vastec's historical observed default rates. Vastec will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates 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. Vastec's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on Vastec's trade receivables is disclosed in Note 16 to the Historical Financial Information.

Dividends

Final dividends are recognised as liability when they are approved by the shareholders in a general meeting. Declared final dividends are disclosed in notes to the Historical Financial Information.

Interim dividends are simultaneously proposed and declared, because Vastec's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividend are recognised immediately as a liability when they are proposed and declared.

During the Track Record Period, Vastec's declared dividends amounted to approximately RMB34.9 million, RMB28.1 million and RMB36.0 million, respectively.

RESULTS OF OPERATIONS OF VASTEC

The following table sets out Vastec's consolidated statements of profit or loss for the periods indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Revenue	1,380,870	1,595,626	1,852,514
Cost of sales	(1,050,568)	(1,235,209)	(1,484,574)
Gross profit	330,284	360,417	367,940
Other income and gains	9,076	5,891	27,273
Selling and distribution expenses	(103,838)	(80,178)	(80,971)
Administrative expenses	(29,710)	(32,821)	(37,495)
Other expenses	(5,500)	(2,868)	(4,841)
(Reversal of) impairment of trade receivables, net	480	(1,652)	874
Finance costs	(7,254)	(7,732)	(6,633)
Share of loss of an associate	(462)	(259)	(344)
Profit before tax	193,076	240,798	265,803
Income tax expense	(54,252)	(66,718)	(73,642)
Profit for the year	138,824	174,080	192,161

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Sales by business segment

During the Track Record Period, Vastec was primarily engaged in the distribution of Sysmex' haemostasis products, including haemostasis analysers, reagents and other consumables, to its distributors in the PRC. In addition, Vastec also provides maintenance services to the end-customers of Sysmex' haemostasis products.

The revenue of Vastec increased from approximately RMB1,380.9 million for the year ended 31 December 2016 to approximately RMB1,595.6 million for the year ended 31 December 2017, representing a growth rate of 15.6%, and further increased to approximately RMB1,852.5 million for the year ended 31 December 2018, representing a growth rate of 16.1%. Such increases were primarily due to the increase in the revenue generated from both the distribution business segment and maintenance services segment.

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

	Year ended 31 December					
Business segment	**2016**		**2017**		**2018**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Distribution business	1,380,870	100.0	1,528,018	95.8	1,729,396	93.4
Maintenance services	–	–	67,608	4.2	123,118	6.6
Total revenue of Vastec	**1,380,870**	**100.0**	**1,595,626**	**100.0**	**1,852,514**	**100.0**

Revenue from Vastec's distribution business increased by 10.7% from RMB1,380.9 million for the year ended 31 December 2016 to RMB1,528.0 million for the year ended 31 December 2017, and increased by 13.2% to RMB1,729.4 million for the year ended 31 December 2018. Such increases were primarily attributable to the increased sales volume of Sysmex' haemostasis reagents and consumables as a result of the expansion of Vastec's distribution business.

In April 2017, Vastec commenced its maintenance services business, providing maintenance services for Sysmex' hemostasis analysers installed at the end customers. Revenue from Vastec's maintenance services business were nil for the year ended 31 December 2016 and RMB67.6 million for the year ended 31 December 2017, respectively, and increased by 82.1% to RMB123.1 million for the year ended 31 December 2018. The sharp increases of maintenance services revenue were because Vastec entered into a service agreement with Sysmex for provision of maintenance services in April 2017. IVD analysers generally have a recommended lifespan of three to five years which creates a continuous demand for related after-sales technical support to be used or provided along the working life of the IVD analysers.

Sales by product type

The following table sets out the breakdown of Vastec's revenue by product type under the distribution business segment for the periods indicated:

Product type	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
– IVD analysers	384,334	27.8	344,985	22.6	360,369	20.8
– IVD reagents and other consumables[1]	996,536	72.2	1,183,033	77.4	1,369,027	79.2
Total revenue of distribution business of Vastec	1,380,870	100.0	1,528,018	100.0	1,729,396	100.0

Note:

1. Other consumables primarily include cuvettes, pipettes, test cards, blenders, cleaning solutions, spare parts, etc., majority of which are often used together with the IVD reagents, such as cuvettes and pipettes.

During the Track Record Period, the revenue of Vastec's distribution business was derived from the sale of IVD analysers and IVD reagents and other consumables.

Vastec's revenue from the sale of IVD analysers decreased by 10.2% from approximately RMB384.3 million for the year ended 31 December 2016 to RMB 345.0 million for the year ended 31 December 2017, which was primarily due to the discontinuing of the sales of two IVD analyser models. Vastec's revenue from the sale of IVD analysers increased by 4.5% to RMB360.4 million for the year ended 31 December 2018, which was primarily due to the increase in the sales of certain IVD analyser models which had relatively higher selling price by Vastec through distributors.

Vastec's revenue from the sale of IVD reagents and other consumables increased from approximately RMB996.5 million for the year ended 31 December 2016, to approximately RMB1,183.0 million for the year ended 31 December 2017 and increased to approximately RMB1,369.0 million for the year ended 31 December 2018, respectively, representing a growth rate of 18.7% and 15.7%, respectively. Such increases were primarily due to the increased total number of IVD analysers installed at the end customers which creates a continuous demand for IVD reagents and other consumables.

Sales by channel

The following table sets out the breakdown of Vastec's revenue by sales channel under the distribution business segment for the periods indicated:

Sales channel	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Distributors	1,347,589	97.6	1,496,517	97.9	1,688,587	97.6
Hospitals[(1)]	33,281	2.4	31,501	2.1	40,809	2.4
Total revenue of distribution business of Vastec	1,380,870	100.0	1,528,018	100.0	1,729,396	100.0

Note:

1. The hospitals channel includes healthcare institutes, universities and medical laboratories.

Distributors

Vastec primarily acts as a tier 1 distributor to distribute IVD products through its lower-tier distributors who onsell to their distributors or directly to hospitals and healthcare institutions in the PRC. As at 31 December 2018, Vastec had 764 distributors spanning across 28 provinces, municipalities and autonomous regions in the PRC. Revenue generated from Vastec's sales to its distributors increased from approximately RMB1,347.6 million to RMB1,496.5 million for the years ended 31 December 2016 and 2017, which was primarily attributable to the organic growth of Vastec's distribution business. Such revenue further increased to approximately RMB1,688.6 million for the year ended 31 December 2018, primarily due to the increased sales of IVD reagents and consumable through distributors as a result of the increased total number of IVD analysers installed at the end customers.

Hospitals and healthcare institutions

Vastec sells a small amount of products directly to hospitals and healthcare institutions. As at 31 December 2016, 2017 and 2018, Vastec directly sold its products to 214, 218 and 186 hospitals and healthcare institutions in the PRC, respectively. Vastec's revenue from the sale to hospitals and healthcare institutions under the distribution business segment decreased by 5.3% from approximately RMB33.3 million for the year ended 31 December 2016 to RMB31.5 million for the years ended 31 December 2017. Such decrease was primarily due to a decrease of sales volume of IVD analysers directly sold to hospitals and healthcare institutions and was a normal business fluctuation in the industry. Such revenue increased to approximately RMB40.8 million for the year ended 31 December 2018. Such increase was mainly due to increased sales of reagents and consumables as a result of the increased total number of IVD analysers installed at the end customers which creates continuous demand for IVD reagents and other consumables.

Sales volume and selling price range

The following table sets out the sales volume and selling price range of Vastec's distributed IVD products by product type for the periods indicated:

Product type	Year ended 31 December					
	2016		2017		2018	
	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions
	(unit)	RMB/unit	(unit)	RMB/unit	(unit)	RMB/unit
IVD analysers	1,435	4,200-1,490,000	1,221	4,200-2,800,000	1,210	4,400-5,000,000
	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions	Sales volume	Selling price range in the PRC/other regions
	('000 tests[1])	RMB/test	('000 tests)	RMB/test	('000 tests)	RMB/test
IVD reagents and consumables	479,875	0.07-73.26	552,742	0.07-91.78	622,912	0.07-107.38

Note:

1. Each IVD test sold has specific quantities of IVD reagents and consumables, varied according to the intended diagnostic purposes.

The sales volume of IVD analysers decreased from 1,435 units for the year ended 31 December 2016 to 1,221 units for the year ended 31 December 2017. Such decrease was mainly due to the discontinuing of the sales of two analyser models. The sales volume of IVD analysers decreased from 1,221 units for the year ended 31 December 2017 to 1,210 units for the year ended 31 December 2018. Such decrease was considered to be a normal business fluctuation. The price range of the analysers sold across the Track Record Period varied according to the types and models of analysers sold in hospitals and healthcare institutions.

The sales volume of IVD reagents and consumables (which are used in various quantities for the different IVD tests sold) increased from approximately 479.9 million tests for the year ended 31 December 2016 to 552.7 million tests for the year ended 31 December 2017 and it further increased to approximately 622.9 million tests for the year ended 31 December 2018. Such increases were mainly attributable to the increase of demand for reagents and consumables to perform certain tests specific to the IVD analysers installed. The price of the tests sold varied according to the types of tests and the quantities of reagents and consumables included in each of the tests.

Cost of sales

Cost of sales of Vastec was approximately RMB1,050.6 million, RMB1,235.2 million, and RMB1,484.6 million for the years ended 31 December 2016, 2017 and 2018, respectively, representing approximately 76.1%, 77.4%, and 80.1% of the total revenue of Vastec for the same period, respectively. Cost of sales of Vastec primarily consisted of all costs including procuring IVD products from suppliers and provision of maintenance services to Sysmex' end customers.

Cost of sales by business segment

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

	Year ended 31 December					
	2016		2017		2018	
Business segment	**RMB'000**	**% of total cost of sales**	**RMB'000**	**% of total cost of sales**	**RMB'000**	**% of total cost of sales**
Distribution business						
– Cost of inventories sold	1,050,586	100.0	1,193,766	96.6	1,436,928	96.8
Maintenance services						
– Cost of services provided	–	–	41,443	3.4	47,646	3.2
Total:	1,050,586	100.0	1,235,209	100.0	1,484,574	100.0

The cost of inventories sold was the largest components of Vastec's cost of sales during the Track Record Period, representing 100%, approximately 96.6%, and 96.8% of Vastec's total cost of sales for the years ended 31 December 2016, 2017 and 2018, respectively. Cost of inventories sold mainly comprised Vastec's purchases of haemostasis analysers, reagents and other consumables from Sysmex and other IVD products from other manufacturers. The increases of cost of inventories sold during the Track Record Period were largely in line with the revenue growth during the same periods.

Cost of services provided represented nil, 3.4%, and 3.2% of Vastec's total cost of sales for the years ended 31 December 2016, 2017 and 2018. Cost of services provided mainly comprised of the costs and expenses attributable to the provision of the maintenance services to the end customers of Sysmex' haemostasis products since April 2017. The increases in the costs of services of Vastec were mainly attributable to growth of the maintenance services segment, and was partially offset by the costs reduced as a result of economies of scale during the same periods.

Cost of sales by product type

During the Track Record Period, cost of sales of Vastec's IVD products by business segment and by product type as a percentage of Vastec's total cost of sales were largely in line with their respectively percentage contribution to Vastec's revenue. The following table sets out a breakdown of Vastec's cost of sales by product type for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
Product type	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
– IVD analysers	328,667	31.3	292,166	24.5	324,944	22.6
– IVD reagents and other consumables	721,919	68.7	901,600	75.5	1,111,984	77.4
Total cost of sales of distribution business of Vastec	1,050,586	100.0	1,193,766	100.0	1,436,928	100.0

The cost of sales of Vastec's IVD analysers decreased by approximately RMB36.5 million or 11.1% from approximately RMB328.7 million for the year ended 31 December 2016 to approximately RMB292.1 million for the year ended 31 December 2017. Such decrease was largely in line with the decrease in the revenue from the sales of IVD analysers. The cost of sales of Vastec's IVD analysers increased by approximately RMB32.8 million or 11.2% to approximately RMB324.9 million for the year ended 31 December 2018. Such increase was primarily attributable to the increase in the revenue from the sales of IVD analysers during the same period.

The cost of sales of Vastec's IVD reagents and other consumables increased by approximately RMB179.7 million or 24.9% from approximately RMB721.9 million for the year ended 31 December 2016 to approximately RMB901.6 million for the year ended 31 December 2017. The cost of sales of Vastec's IVD reagents and other consumables increased by approximately RMB210.4 million or 23.3% to approximately RMB1,112.0 million for the year ended 31 December 2018. Such increases were primarily due to (i) the increase in the purchase volume of IVD reagents and other consumables from Sysmex as a result of the existing and new installation of Sysmex' haemostasis analysers at the end customers; and (ii) the increase of the purchase price of Sysmex' IVD reagents.

Gross profit and gross profit margin

Gross profit of Vastec increased by RMB30.1 million or 9.1% from approximately RMB330.2 million for the year ended 31 December 2016 to approximately RMB360.4 million for the year ended 31 December 2017. It further increased by approximately RMB7.5 million or 2.1% to approximately RMB367.9 million for the year ended 31 December 2018. Such increases were mainly attribute to the increase of gross profit derived from the maintenance services and partially off-set by the decrease of gross profit derived from the distribution business for the same periods. Gross profit margin of Vastec was approximately 23.9%, 22.6% and 19.9% for the years ended 31 December 2016, 2017 and 2018, respectively, and was largely driven by the gross profit margin of Vastec's distribution business.

Gross profit and gross profit margin by business segment

The following table sets out the gross profit and gross profit margin of Vastec by business segment and product type for the periods indicated:

	Year ended 31 December					
Business segment	**2016**		**2017**		**2018**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Distribution business						
– IVD analysers	55,667	14.5	52,819	15.3	35,425	9.8
– IVD reagents and other consumables	274,617	27.6	281,433	23.8	257,043	18.8
Subtotal	330,284	23.9	334,252	21.9	292,468	16.9
Maintenance services	–	–	26,165	38.7	75,472	61.3
Total	330,284	23.9	360,417	22.6	367,940	19.9

Distribution business

Vastec's gross profit of its distribution business slightly increased by approximately RMB4.0 million or 1.2% from approximately RMB330.3 million for the year ended 31 December 2016 to approximately RMB334.3 million for the year ended 31 December 2017. Such increase was mainly due to the increase in the gross profit of the sales of IVD analysers, which was largely in line with the revenue increase of IVD reagents and consumables during the same period. The gross profit margin of Vastec's distribution business decreased from 23.9% for the year ended 31 December 2016 to 21.9% for the year ended 31 December 2017, mainly due to the decrease in gross profit margin of the sales of IVD reagents and other consumables as a result of the increased purchase price from Sysmex after it renewed its sales agreement with Vastec in April 2017.

Vastec's gross profit of its distribution business further decreased by approximately RMB41.8 million or 12.5% to approximately RMB292.5 million for the year ended 31 December 2018. Such decrease was mainly attribute to: (i) the decrease of the gross profit of the sales of IVD analysers due to a competitive pricing strategy intended to promote the sales of unsold inventories; and (ii) the decrease of gross profit of the sales of IVD reagents as a result of the increased purchase price from Sysmex. The gross profit margin of this segment for the same period decreased mainly due to the reasons as explained above.

Maintenance services

The gross profit of Vastec's maintenance services was RMB26.2 million for the year ended 31 December 2017 and increased by RMB49.3 million or 188.4% to approximately RMB75.5 million for the year ended 31 December 2018. Such increase was mainly attributable to: (i) the growth of revenue in maintenance services segment; and (ii) the increase in the gross profit margin of Vastec's maintenance services business from 38.7% for the year ended 31 December 2017 to 61.3% for the year ended 31 December 2018 as a result of economies of scale.

Other income and gains

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Other income			
Service income	2,459	–	–
Bank interest income	272	536	1,059
Government subsidies[1]	5,700	–	24,899
Others	350	242	105
	8,781	778	26,063
Gains			
Gain on disposal of property, plant and equipment	295	–	1,210
Foreign exchange differences, net	–	5,113	–
	9,076	5,891	27,273

Note:

1. Government grants have been received from the PRC local government authorities as reimbursement of operating expense. There are no unfulfilled conditions or contingencies relating to these grants.

Other income of Vastec primarily consisted of government subsidies and bank interest income, service income and others. Other gains of Vastec primarily consisted of gains on disposal of property, plant and equipment and net exchange gains.

The other income of Vastec mainly consists of the following:

- Government subsidies mainly represented government grants from Shanghai Free Trade Zone for the period commencing from 2016 to 2020;

- Service income primarily includes income generated from maintenance services provided to our end customers under distribution business segment; and

- Bank interest income mainly derives from our deposits.

Vastec's gains on foreign exchange for the year ended 31 December 2018 primarily arose from the effect of the exchange rate fluctuation between US$ and RMB for such year on Vastec's purchase of IVD analysers.

Selling and distribution expenses

The following table sets out a breakdown of selling and distribution expenses of Vastec for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	51,652	49.7	42,806	53.4	40,185	49.6
Travelling and entertainment	19,549	18.8	10,775	13.4	9,406	11.6
Rent and rates	2,490	2.4	2,910	3.6	3,520	4.3
Office expenses	9,670	9.3	6,941	8.7	7,104	8.8
Depreciation costs	2,585	2.5	1,739	2.2	1,284	1.6
Transportation	6,186	6.0	10,418	13.0	16,655	20.6
Promotion fees	11,066	10.7	4,298	5.4	1,965	2.4
Maintenance fees	441	0.4	3	0.0	22	0.0
Others[1]	199	0.2	288	0.3	830	1.1
Total:	103,838	100.0	80,178	100.0	80,971	100.0

Note:

(1) Others mainly include expenses incurred in relation to overtime pay of workers, insurance of motor vehicles, etc.

Selling and distribution expenses of Vastec primarily consist of staff costs, and transportation expense, promotion fees, travelling and entertainment fees. For the years ended 31 December 2016, 2017 and 2018, selling and distribution expenses of Vastec were approximately RMB103.8 million, RMB80.2 million and RMB81.0 million, respectively, representing approximately 7.5%, 5.0% and 4.4% of the total revenue of Vastec for the same period, respectively. It mainly consists of:

- Staff costs, which included salaries, staff benefits and social insurance costs, form the largest component of the selling and distribution expenses of Vastec;
- Travelling and entertainment fees were the expenses related to the travel and entertainment expenses incurred by sales personnel for their sales and marketing activities;
- Promotion fees were related to the expenses incurred for the promotion and advertisement to secure distribution rights, such as printing, advertisements and exhibition fees; and
- Transportation, which were related to the transportation and delivery of Vastec's products to its customers.

Administrative expenses

The following table sets out a breakdown of administrative expenses of Vastec for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	8,231	27.7	10,027	30.6	14,267	38.1
Travelling and entertainment	955	3.2	1,052	3.2	921	2.5
Rent and rates	3,915	13.2	5,888	17.9	5,913	15.8
Office expenses	1,681	5.7	1,326	4.0	2,351	6.3
Legal and professional fees	2,221	7.5	1,388	4.2	1,405	3.7
Depreciation costs	5,907	19.9	5,344	16.3	5,348	14.3
Others[1]	6,800	22.8	7,796	23.8	7,290	19.3
Total:	29,710	100.0	32,821	100.0	37,495	100.0

Note:

1. Others mainly include expenses incurred in relation to staff training, exchange rate loss, repair of vehicles, etc.

Administrative expenses of Vastec primarily consisted of staff costs, rent and rates, and depreciation and amortisation costs. For the years ended 31 December 2016, 2017 and 2018, administrative expenses of Vastec were approximately RMB29.7 million, RMB32.8 million and RMB37.5 million, respectively, representing approximately 2.2%, 2.1% and 2.0% of Vastec's total revenue for the same period, respectively. It mainly consists of:

- Staff costs, which include salaries, staff benefits and social insurance costs, form the largest component of our Original Group's administrative expenses;

- Rents and rates, which include the expenses incurred in relation to the lease of offices and warehouses of Vastec; and

- Depreciation costs, which was mainly related to depreciation for property, plant and equipment.

Other expenses

Other expenses of Vastec primarily consisted of foreign exchange loss and inventory impairment loss. For the years ended 31 December 2016, 2017 and 2018, other expenses of Vastec were approximately RMB5.5 million, RMB2.9 million and RMB4.8 million, respectively, representing approximately 0.4%, 0.2% and 0.3% of the total revenue of Vastec for the same period, respectively.

Finance costs

Finance costs of Vastec primarily consisted of interest expenses on its bank loans, interest expenses on amount due to directors and on amount due to a related party. Amounts due to shareholder and a related party were all non-trade nature, which will be settled prior to the Listing. Finance costs of Vastec were approximately RMB7.3 million, RMB7.7 million and RMB6.6 million for the years ended 31 December 2016, 2017 and 2018, respectively.

Share of loss of an associate

Share of loss of an associate related to losses realised by Vastec in its associate, Alifax, which is principally engaged in the sales and marketing of self-developed IVD products from Alifax Italy Company. Vastec currently holds 49% of equity interest in Alifax. Share of loss of an associate of Vastec were approximately RMB462,000, RMB259,000 and RMB344,000 for the years ended 31 December 2016, 2017 and 2018, respectively. For more information, please refer to the section headed "History, Reorganisation and Corporate Structure – Corporate Development – Interests in Associates – Alifax" in this prospectus.

Income tax expense

Income tax expense of Vastec consisted of current tax and deferred income tax. Current tax primarily comprises Hong Kong profit tax payable by Vastec HK and PRC corporate income tax payable by Vastec (Shanghai). Under the Hong Kong law, Vastec HK is subject to Hong Kong profit tax at the statutory Hong Kong profit tax of 16.5%. Under the EIT Law, Vastec (Shanghai) is subject to PRC income tax at the statutory PRC corporate income tax rate of 25%.

Income tax expenses of Vastec for the years ended 31 December 2016, 2017 and 2018 were approximately RMB54.3 million, RMB66.7 million and RMB73.6 million, respectively. The effective tax rates of Vastec were 28.1%, 27.7% and 27.7% in 2016, 2017 and 2018, respectively. Please also refer to note 8 to the consolidated financial statements of Vastec included in the accountants' report in Appendix II to this prospectus for a more detailed discussion on its income tax.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Revenue of Vastec increased by approximately RMB256.9 million or 16.1% to approximately RMB1,852.5 million for the year ended 31 December 2018 from approximately RMB1,595.6 million for the year ended 31 December 2017. Such increase was mainly due to increase of revenue of both business segments.

Distribution business

Vastec's revenue generated from the distribution business increased by approximately RMB201.4 million or 13.2% to approximately RMB1,729.4 million for the year ended 31 December 2018 from approximately RMB1,528.0 million for the year ended 31 December 2017. Such increase was primarily due to the increased sales volume of Sysmex' haemostasis reagents and other consumables as a result of the increased total number of IVD analysers installed at the end customers which creates continuous demand for IVD reagents and other consumables.

Maintenance services business

Vastec's revenue generated from the maintenance services business increased by approximately RMB55.5 million or 82.1% to approximately RMB123.1 million for the year ended 31 December 2018 from approximately RMB67.6 million for the year ended 31 December 2017. Such increase was primarily due to a formal service agreement was entered into between Vastec and Sysmex in April 2017. Pursuant to this agreement Vastec was formally appointed to provide after-sales maintenance services to the end customers of Sysmex' haemostasis products, hence, (i) only approximately eight months of revenue generated from the maintenance services was recognised for the year ended 31 December 2017; and (ii) as IVD analysers generally have a recommended usage of three to five years for optimal performance, there was a continuous demand for related after-sales technical support provided along the working life of these IVD analysers.

Cost of sales

Cost of sales of Vastec increased by approximately RMB249.4 million or 20.2% to approximately RMB1,484.6 million for the year ended 31 December 2018 from approximately RMB1,235.2 million for the year ended 31 December 2017. Such increase was mainly attributable to the increase in revenue for the same period.

Distribution business

Vastec's cost of sales under the distribution business segment increased by approximately RMB243.2 million or 20.4% from approximately RMB1,193.8 million for the year ended 31 December 2017 to approximately RMB1,436.9 million for the year ended 31 December 2018. Such increase was mainly attributable to (i) the increase revenue of the distribution business segment; and (ii) the increased purchase price of Sysmex' IVD reagents.

Maintenance services business

The cost of sales under the maintenance services segment increased by approximately RMB6.2 million or 15.0% from approximately RMB41.4 million for the year ended 31 December 2017 to approximately RMB47.6 million for the year ended 31 December 2018. Such increase was mainly due to the increased revenue of maintenance services segment and was partially offset by the positive effect of the economies of scale.

Gross profit and gross profit margin

Gross profit of Vastec increased by approximately RMB7.5 million or 2.1% to approximately RMB367.9 million for the year ended 31 December 2018 from RMB360.4 million for the year ended 31 December 2017. The increase was primarily due to the increase in gross profit from maintenance services segment. The overall gross profit margin decreased from 22.6% for the year ended 31 December 2017 to 19.9% for the year ended 31 December 2018. Such decrease was mainly due to a drop in the gross profit margin of the distribution business segment.

Distribution business

Vastec's gross profit of its distribution business decreased by approximately RMB41.8 million or 12.5% from approximately RMB334.3 million for the year ended 31 December 2017 to approximately RMB292.5 million for the year ended 31 December 2018, which was mainly due to its gross profit margin decreased from 21.9% to 16.9% for the same period. Such decrease in gross profit margin was mainly attributable to (i) a more competitive pricing strategy intended to promote the sales of unsold inventories of IVD analysers; and (ii) the purchase price increase of Sysmex' IVD reagents after the renewal of relevant sales agreement.

Maintenance services business

The gross profit of Vastec's maintenance services increased by RMB49.3 million or 188.4% to approximately RMB75.5 million for the year ended 31 December 2018 from approximately RMB26.2 million for the year ended 31 December 2017. Such increase was mainly due to the commencement of the maintenance services segment in April 2017. The gross profit margin of Vastec's maintenance services increased from 38.7% for the year ended 31 December 2017 to 61.3% for the year ended 31 December 2018. Such increase was mainly attributable to economies of scale.

Other income and gains

Other income and gains of Vastec increased by approximately RMB21.4 million or 363.0% to approximately RMB27.3 million for the year ended 31 December 2018 from approximately RMB5.9 million for the year ended 31 December 2017. Such increase was primarily due to the receipt of an one-off PRC government grant of RMB24.9 million for reimbursement of operating expense and was partially offset by the decrease in net gains of exchange differences of approximately RMB5.1 million from approximately RMB5.1 million for the year ended 31 December 2017 to nil for the year ended 31 December 2018 due to the fluctuation of the exchange rate between US$ and RMB.

Selling and distribution expenses

Selling and distribution expenses of Vastec increased by approximately RMB0.8 million or 1.0% from approximately RMB80.2 million for the year ended 31 December 2017 to approximately RMB81.0 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase of transportation expenses of approximately 60.6% or RMB6.3 million, from approximately RMB10.4 million to RMB16.7 million, mainly due to the increased shipment of the IVD reagents under distribution business as a result of sales growth. The increase of selling and distribution expenses was partially offset by (i) the decreased staff cost approximately 6.1% or RMB2.6 million, from approximately RMB42.8 million to RMB40.2 million for the same period as a result of the staff costs of the technical and engineering personnel have been recorded to the cost of sales under the maintenance services segment after Vastec entered into service agreement with Sysmex from April 2017; (ii) a decrease in promotion fees of approximately 54.3% or RMB2.3 million, from approximately RMB4.3 million to RMB2.0 million for the same year as a result of a decrease in the promotional events participated by Vastec, and (iii) a decrease in travelling and entertainment expenses of approximately 12.7% or RMB1.4 million, from approximately RMB10.8 million to RMB9.4 million for the same period resulting from the same reasons of the reduce of staff costs and promotion fees discussed above.

Administrative expenses

Administrative expenses of Vastec increased by approximately RMB4.7 million or 14.2% to approximately RMB37.5 million for the year ended 31 December 2018 from approximately RMB32.8 million for the year ended 31 December 2017. Such increase was primarily attributable to an increase in staff costs of approximately 42.3% or RMB4.2 million, from approximately RMB10.0 million to RMB14.3 million for the same year as a result of increase in the scale of Vastec's business and performance bonuses paid to Vastec's senior management.

Other expenses

Other expenses of Vastec increased by approximately RMB2.0 million or 68.8% to approximately RMB4.8 million for the year ended 31 December 2018 from approximately RMB2.9 million for the year ended 31 December 2017. Such increase was primarily as a result of the increase in the foreign exchange loss of approximately RMB3.0 million and inventory impairment loss of approximately RMB1.3 million.

Finance costs

Finance costs of Vastec decreased by approximately RMB1.1 million or 14.2% from approximately RMB7.7 million for the year ended 31 December 2017 to approximately RMB6.6 million for the year ended 31 December 2018. Such decrease was primarily due to the decrease in interest on bank loans of RMB1.4 million as a result of partial repayment of bank loans.

Income tax expense

Income tax expense of Vastec increased by approximately RMB6.9 million or 10.4% to approximately RMB73.6 million for the year ended 31 December 2018 from approximately RMB66.7 million for the year ended 31 December 2017. Such increase was primarily due to Vastec's increased profit before tax as a result of its increased revenue.

Profit for the year

As a result of the foregoing, profit for the year of Vastec increased by approximately RMB18.1 million or 10.4% to approximately RMB192.2 million for the year ended 31 December 2018 from approximately RMB174.1 million for the year ended 31 December 2017.

Year ended 31 December 2017 compared with year ended 31 December 2016

Revenue

Revenue of Vastec increased by approximately RMB214.8 million or 15.6% to approximately RMB1,595.6 million for the year ended 31 December 2017 from approximately RMB1,380.9 million for the year ended 31 December 2016. Such increase was primarily due to: (i) the increase of sales from distribution business segment; and (ii) the maintenance services segment started to contribute revenue since Vastec entered into a service agreement with Sysmex in April 2017.

Distribution business

Vastec's revenue under the distribution business increased by 10.7% from RMB1,380.9 million for the year ended 31 December 2016 to RMB1,528.0 million for the year ended 31 December 2017, which is primarily attributable to the organic growth in selling IVD regents and other consumables in the PRC as a result of the increased total number of analysers installed at the end customers. This was partially offset by the decrease revenue of IVD analysers as a result of the discontinuing of the sales of two IVD analyser models.

Maintenance services business

Vastec's revenue under the maintenance services business segment increased from nil for the year ended 31 December 2016 to RMB 67.6 million for the year ended 31 December 2017. The sharp increase of maintenance services revenue was because Vastec entered into a service agreement with Sysmex in April 2017 for providing maintenance services to the end customers of Sysmex' haemostasis analysers.

Cost of sales

Cost of sales of Vastec increased by approximately RMB184.6 million or 17.6% to approximately RMB1,235.2 million for the year ended 31 December 2017 from approximately RMB1,050.6 million for the year ended 31 December 2016. Such increase was primarily attributed to the revenue growth of the same period.

Distribution business

Vastec's cost of sales under the distribution business segment increased from approximately RMB1,050.6 million for the year ended 31 December 2016 to approximately RMB1,193.8 million for years ended 31 December 2017, representing an increase of approximately 13.6%. Such increase was mainly attributable to (i) increased sales of haemostasis reagents and other consumables as a result of an increase in the number of Sysmex' haemostasis analysers installed at end customers, which leads to a continuously increasing demand for specific haemostasis reagents; (ii) the increased purchase price of Sysmex' haemostasis reagents. Such increase was partially offset by the decrease of cost of sales of IVD analysers which was largely in line with the decrease in the revenue of IVD analysers in the same period.

Maintenance services business

The cost of sales under the maintenance services segment increased from nil for the year ended 31 December 2016 to approximately RMB41.4 million for the year ended 31 December 2017. Such increase was primarily attributable to the commencement of maintenance services business.

Gross profit and gross profit margin

Gross profit of Vastec increased by approximately RMB30.1 million or 9.1% to RMB360.4 million for the year ended 31 December 2017 from RMB330.3 million for the year ended 31 December 2016. Such increase was primarily due to the contribution of revenue generated from the maintenance services and it was partially offset by the slightly decrease of gross profit from distribution business. The overall gross profit margin decreased from 23.9% for the year ended 31 December 2016 to 22.6% for the year ended 31 December 2017, which was mainly due to the decrease in the gross profit margin of the distribution business segment.

Distribution business

Vastec's gross profit of its distribution business decreased by approximately RMB4.0 million or 1.2% from approximately RMB330.3 million for the year ended 31 December 2016 to approximately RMB334.3 million for the year ended 31 December 2017, and its gross profit margin decreased from 23.9% to 21.9% for the same period. Such decrease was primarily attributable to the decrease in gross profit of the sales of IVD analysers which was largely in line with the revenue decrease of IVD analysers during the same period. The decrease in gross profit margin of this business segment was mainly due to the decrease of the gross profit margin of IVD reagents and other consumables as a result of the increase in the purchase price of Sysmex' IVD reagents during the same period.

Maintenance services

The gross profit of Vastec's maintenance services was RMB26.2 million for the year ended 31 December 2017, due to Vastec only entering into the service agreement with Sysmex in April 2017, there could not be a year-to-year comparison on this business segment.

Other income and gains

Other income and gains of Vastec decreased by approximately RMB3.2 million or 35.1% from approximately RMB9.1 million for the year ended 31 December 2016 to RMB5.9 million for the year ended 31 December 2017. Such decrease was primarily due to (i) the decrease of government subsidies from approximately RMB5.7 million for the year ended 31 December 2016 to nil for the year ended 31 December 2017 as Vastec did not receive any government grant from the Shanghai Free Trade Zone for the year ended 31 December 2017; (ii) the decrease of service income from approximately RMB2.5 million for the year ended 31 December 2016 to nil for the year ended 31 December 2017, as Vastec started providing maintenance services to the end customers' of Sysmex' haemostasis analysers in April 2017 and no service income has been recorded into other income since then. The decrease of other income and gains was partially offset by the increase in net gains of exchange differences of approximately RMB5.1 million from nil for the year ended 31 December 2016 to approximately RMB5.1 million for the year ended 31 December 2017 due to the fluctuation of the exchange rate between US$ and RMB.

Selling and distribution expenses

Selling and distribution expenses of Vastec decreased by approximately RMB23.7 million or 22.8% from approximately RMB103.8 million for the year ended 31 December 2016 to approximately RMB80.2 million for the year ended 31 December 2017. Such decrease was primarily attribute to (i) a decrease in staff costs of approximately 17.1% or RMB8.8 million from approximately RMB51.7 million to RMB42.8 million for the same period as a result of Vastec entering an agreement to commence its maintenance services business in April 2017, and the staff cost of the technical and engineeering personnel was recorded to the cost of sales under the maintenance services segment after Vastec entered into service agreement with Sysmex in April 2017; (ii) a decrease in promotion fees of approximately 61.2% or RMB6.8 million, from approximately RMB11.1 million to RMB4.3 million for the same period mainly due to a decrease in the promotional events participated by Vastec; and (iii) a decrease in travelling and entertainment expenses of approximately 44.9% or RMB8.8 million, from approximately RMB19.5 million to RMB10.8 million for the same period, as a result of the same reasons of the reduced staff costs and promotion fees discussed above. The decrease of selling and distribution expenses was partially offset by the increase in transportation expenses of approximately 68.4% or RMB4.2 million, from approximately RMB6.2 million to RMB10.4 million for the same period due to the increased shipment of the IVD reagents under distribution business as a result of sales growth.

Administrative expenses

Administrative expenses of Vastec increased by approximately RMB3.1 million or 10.5% to approximately RMB32.8 million for the year ended 31 December 2017 from approximately RMB29.7 million for the year ended 31 December 2016. Such increase was primarily due to (i) an increase in staff costs of approximately 21.8% or RMB1.8 million, from approximately RMB8.2 million to RMB10.0 million during the same period to cope with business growth, and (ii) an increase in rent and rates of approximately 50.4% or RMB2.0 million, from approximately RMB3.9 million to RMB5.9 million during the same period as a result of Vastec renting new warehouses.

Other expenses

Other expenses of Vastec decreased by approximately RMB2.6 million or 47.9% from approximately RMB5.5 million for the year ended 31 December 2016 to approximately RMB2.9 million for the year ended 31 December 2017. Such decrease was primarily due to inventory impairment losses.

Finance costs

Finance costs of Vastec increased by approximately RMB0.5 million or 6.6% to approximately RMB7.7 million for the year ended 31 December 2017 from approximately RMB7.3 million for the year ended 31 December 2016. Such increase was primarily due to increase in interest on amount due to a related party from nil to approximately RMB1.1 million for the same period. Amounts due to related party were all in non-trade nature, which will be settled prior to Listing.

Income tax expense

Income tax expense of Vastec increased by approximately RMB12.5 million or 23.0% to approximately RMB66.7 million for the year ended 31 December 2017 from approximately RMB54.3 million for the year ended 31 December 2016. Such increase was primarily due to Vastec's increased profit before tax as a result of its increased revenue.

Profit for the year

As a result of the foregoing, profit for the year of Vastec increased by approximately RMB35.3 million or 25.4% to approximately RMB174.1 million for the year ended 31 December 2017 from approximately RMB138.8 million for the year ended 31 December 2016.

LIQUIDITY AND CAPITAL RESOURCES

Vastec requires a substantial amount of capital to fund its working capital requirements and business expansion. Vastec's operation and growth has primarily been financed by cash generated from its operations and bank borrowings.

Cash flow

As at 31 December 2016, 2017 and 2018, Vastec had cash and cash equivalents of RMB156.8 million, RMB220.8 million and RMB163.7 million, respectively. The following table sets out our cash flows of Vastec for the periods indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Cash flows generated from operating activities before changes in working capital	208,717	255,952	277,575
Net cash flows (used in)/from operating activities	(13,426)	68,514	66,733
Net cash flows from investing activities	3,063	9,028	9,059
Net cash flows from/(used in) financing activities	27,855	(12,115)	(133,568)
Net increase/(decrease) in cash and cash equivalents	17,492	65,427	(57,776)
Cash and cash equivalents at the beginning of the year/period	138,194	156,790	220,802
Effect of foreign exchange rate changes, net	1,104	(1,415)	652
Cash and cash equivalents at the end of the year/period	156,790	220,802	163,678

Cash flows (used in)/generated from operating activities

Vastec derives cash inflow from operating activities principally from the receipt of payment for the sales of IVD products and service fee from provision of maintenance services to the end customers of Sysmex' haemostasis products. Cash outflow of Vastec from operating activities is principally for purchases of inventories.

For the year ended 31 December 2016, Vastec generated approximately RMB208.7 million in cash flows from operating activities before changes in working capital. Vastec's net cash used in operating activities amounted to approximately RMB13.4 million, which was primarily due to an increase in inventories of approximately RMB172.2 million and an increase in prepayments and other receivables of approximately RMB72.1 million. The increase in inventories was primarily due to the increase of inventory level so as meet customers' demands. The increase in prepayment and other receivables was primarily due to the increase of prepayment for the procurement of Sysmex' products via Agent A. These cash outflow was partially offset by Vastec's profit before tax of approximately RMB193.1 million and an increase in trade payables of approximately RMB89.1 million.

For the year ended 31 December 2017, Vastec generated approximately RMB256.0 million in cash flows from operating activities before changes in working capital. Vastec's net cash generated from operating activities amounted to approximately RMB68.5 million, which was primarily contributed by Vastec's profit before tax of approximately RMB240.8 million and an increase in other payables and accruals of approximately RMB17.8 million. These cash inflow was partially offset by an increase in inventories of approximately RMB58.8 million, an increase in prepayments and other receivables of approximately RMB42.2 million, an increase in trade and bills receivables of approximately RMB31.4 million and a decrease in trade payables of approximately RMB25.2 million. The increase in inventories was primarily due to the increase of inventory level to meet customers' demand. The increase in prepayment and other receivables was primarily due to the increase of prepayment for the procurement of Sysmex' products via Agent A. The increase in trade and bills receivables was primarily due to increased receivables from maintenance services provided to Sysmex' analysers. The increase in trade payables was largely in line with Vastec's purchases of IVD products.

For the year ended 31 December 2018, Vastec generated approximately RMB277.6 million in cash flows from operating activities before changes in working capital. Vastec's net cash generated from operating activities amounted to approximately RMB66.7 million, which was primarily contributed by Vastec's profit before tax of approximately RMB265.8 million and a decrease of prepayments and other receivables of approximately RMB27.0 million as a result of the increase of delivery volume from Agent A. These cash inflow was partially offset by an increase in inventories of approximately RMB59.7 million, an increase in trade and bills receivables of approximately RMB54.9 million, a decrease in trade payables of approximately by RMB32.2 million and a decrease in other payables and accruals of approximately RMB27.4 million. The increase in inventories was primarily due to the increase of inventory level to meet customers' demand. The increase in trade and bills receivables was primarily due to increased receivables from maintenance services provided to Sysmex' analysers. The decrease in trade payables was primarily due to settlement between Vastec and Sysmex. The decrease in other payables and accruals was primarily due to the decrease of value-added tax payables.

During the Track Record Period, Vastec recorded a relatively low cash flow from operating activities. This was mainly attributable to (i) the increased inventory stock-up in order to expand its distribution network; (ii) a more flexible credit policy adopted for distributors that sell analysers, in order to benefit from the recurring revenue stream generated from the sales of reagents afterwards; (iii) Vastec's commencement of its maintenance services business in April 2017, which contributed to its increased trade receivables for the year ended 31 December 2017; and (iv) the decrease in trade payable turnover days for the year ended 31 December 2018, primarily due to the settlement of certain trade payables at the end of the year.

Going forward, considering Vastec's tightened liquidity, we aim to further optimise its cash flows by implementing the following policies and strategies: (i) we aim to further optimise Vastec's inventory level by speeding up the sales of our purchased products by utilising the expanded distribution network; (ii) we aim to reduce the average turnover days of Vastec's trade receivables by designating sales representatives to remind customers to settle payments at least a week ahead of the payment settlement date, and continue to follow up with such customers, to make sure that they will settle their payments on time, and to leverage on Vastec's expanded distribution network and bargaining power to try to reduce the credit terms to be granted to its distributors; and (iii) leveraging on the integration with our Original Group upon the Acquisition, we aim to negotiate better credit terms with suppliers in order to increase the average turnover days of Vastec's trade payables.

Cash flows generated from investing activities

Cash inflow of Vastec for investing activities primarily consisted of proceeds from disposal of property, plant and equipment and decreased pledged deposits. Cash outflow of Vastec for investing activities primarily consisted of payment for the purchases of property, plant and equipment and contribution to investment in an associate.

For the year ended 31 December 2016, Vastec's net cash generated from investing activities amounted to approximately RMB3.1 million, which was primarily due to a decrease in pledged deposits of approximately RMB4.4 million for obtaining letter of credit to purchase Sysmex' haemostasis products. These cash inflow was partially offset by payment for purchases of property, plant and equipment of approximately RMB1.8 million.

For the year ended 31 December 2017, Vastec's net cash generated from investing activities amounted to approximately RMB9.0 million, which was primarily due to a decrease in pledged deposits of approximately RMB8.6 million as the amount of a letter of credit to purchase Sysmex' haemostasis products was reduced.

For the year ended 31 December 2018, Vastec's net cash generated from investing activities amounted to approximately RMB9.1 million, which was primarily due to (i) a decrease in pledged deposits of approximately RMB5.3 million as the amount of letter of credit to purchase Sysmex' haemostasis products was reduced; and (ii) an increase of proceeds received from disposal of property, plant and equipment of approximately RMB3.5 million. These cash inflow was partially offset by payment for purchases of property, plant and equipment of approximately RMB0.7 million.

Cash flows generated from/(used in) financing activities

Cash inflow of Vastec for financing activities primarily consisted of new bank loan and advance from shareholders. Cash outflow of Vastec for financing activities primarily consisted of repayment of bank loan and dividend and interest paid.

For the year ended 31 December 2016, Vastec's net cash generated from financing activities amounted to approximately RMB27.9 million, which was primarily due to a new bank loan obtained of approximately RMB130.0 million. These cash inflow was partially offset by the repayment of the bank loan of approximately RMB60.0 million and the dividend payment of approximately RMB34.9 million.

For the year ended 31 December 2017, Vastec's net cash used in financing activities amounted to approximately RMB12.1 million, which was primarily due to the repayment of the bank loan of approximately RMB230.0 million and dividend paid of approximately RMB28.1 million. These cash outflow was partially offset by obtaining a new bank loan of approximately RMB200.0 million and the advance from a related party of approximately RMB53.8 million.

For the year ended 31 December 2018, Vastec's net cash used in financing activities amounted to approximately RMB133.6 million, which was primarily due to the repayment of bank loan of approximately RMB460.0 million. These cash outflow was partially offset by obtaining a new bank loan of approximately RMB400.0 million.

Current assets and liabilities

The following table sets out details of our current assets and liabilities of Vastec as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Current assets			
Inventories	422,796	473,590	525,823
Trade and bills receivables	107,052	137,828	190,908
Prepayments and other receivables	177,446	219,641	192,667
Tax recoverable	169	–	–
Pledge deposits	26,012	17,378	12,109
Cash and cash equivalents	156,790	220,802	163,678
	890,265	1,069,239	1,085,185

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current liabilities			
Trade payables	141,344	119,690	87,446
Other payables and accruals	100,698	115,288	87,889
Interest-bearing bank borrowing	130,000	100,000	40,000
Amounts due to shareholders	351	–	–
Amounts due to a related party	–	52,758	21,812
Tax payable	25,145	36,648	37,336
	397,538	424,384	274,483
Net current assets	492,727	644,855	810,702

Net current assets of Vastec increased by approximately RMB152.1 million or 30.9% from approximately RMB492.7 million as at 31 December 2016 to approximately RMB644.9 million as at 31 December 2017. This was primarily due to (i) the increase in inventories of approximately RMB50.8 million, primarily as a result of the increase of inventory level to meet customers' demands; (ii) the increase in prepayments and other receivables of approximately RMB42.2 million, primarily as the result of an increase of prepayment for the procurement of Sysmex' products via Agent A; (iii) the increase in trade and bills receivables of approximately RMB30.8 million, was primarily the result of increased receivables from maintenance services provided to Sysmex analysers; and (iv) the increase in cash and cash equivalents of approximately RMB64.0 million which was mainly due to the cash inflow from operating activities of the same period. The increase in Vastec's net current assets was partially offset by the increase in its amounts due to a related party of approximately RMB52.8 million to address immediate cash flow needs.

Net current assets of Vastec increased from approximately RMB644.9 million as at 31 December 2017 to approximately RMB810.7 million as at 31 December 2018. This was primarily due to (i) the increase in inventories of approximately RMB52.2 million, primarily as the result of the increase of inventory level to meet customers' demands; (ii) the increase in trade and bills receivables of approximately RMB53.1 million, primarily as a result of an increase of sales of IVD products to distributors; and (iii) the decrease in its interest-bearing bank borrowings of approximately RMB60.0 million due to partial repayment of bank loans. The increase in Vastec's net current assets was partially offset by the decrease in cash and cash equivalents of approximately RMB57.1 million which was mainly due to the cash outflow from financing activities in the same period.

Working capital sufficiency statement

As at 30 April 2019, being the latest practicable date for the purpose of indebtedness statement in this prospectus, bank loans of Vastec, amounted to approximately RMB100.0 million, which were primarily used to support Vastec's general working capital as its business continues to grow. As at 30 April 2019, Vastec had unutilised banking facilities of approximately RMB183.2 million with no restriction on their drawdown. Directors of Vastec believe that after taking into consideration the financial resources available to it, including cash flows from its operations, banking facilities and estimated net proceeds from the Global Offering, Vastec will have sufficient working capital for at least 12 months commencing from the date of this prospectus.

CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Inventories of Vastec only consist of Vastec's purchased IVD products. Inventories increased from approximately RMB422.8 million as at 31 December 2016 to approximately RMB473.6 million as at 31 December 2017. Such increase was primarily due to Vastec's increased purchases of IVD products for its business expansion. Inventories further increased to approximately RMB525.8 million as at 31 December 2018, which was primarily due to Vastec's increased purchase of reagents to respond to the increased demand of the end customers for Sysmex' haemostasis reagents. The following table sets out the breakdown of inventories of Vastec as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Purchased products	423,800	473,600	525,823

During the Track Record Period, Vastec has implemented a comprehensive inventory management and monitoring policy, and generally maintains an inventory level of around four months. According to this policy, our Directors determine the appropriate level of inventory to be maintained according the prevailing needs of Vastec based on market feedback obtained from its distributors and the expiry date of reagents and consumables purchased. In addition, its management team will receive and review inventory reports from the sales department on a monthly basis to assess the reasonableness of the inventory level of Vastec. Vastec has employed ERP system to track in-coming and out-going inventories. This system enables Vastec to monitor levels of inventories on a timely basis so as to maintain an optimum level. During the Track Record Period and up to the Latest Practicable Date, Vastec did not experience any shortage in the supply of Vastec's products. Going forward, Vastec aims to further optimise its inventory level by speeding up the sales of the purchased products by utilising an expanded distribution network.

As at 30 April 2019, approximately RMB438.8 million or approximately 83.5% of Vastec's inventories as at 31 December 2018 had been sold or utilised.

The following table sets out the average inventory turnover days of Vastec for the periods indicated:

	Year ended 31 December		
	2016	2017	2018
Average inventory turnover days(1) . . .	118	132	123

Note:

1. Average inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant year divided by cost of sales of the relevant year and multiplied by 365 days.

The average inventory turnover days of Vastec increased from approximately 118 days for the year ended 31 December 2016 to approximately 132 days for the year ended 31 December 2017, primarily due to the Vastec's changed inventory policy of IVD reagents from three months to five months. The average inventory turnover days decreased to approximately 123 days for the year ended 31 December 2018, primarily due to the increased sales of unsold inventories of IVD analysers as a result of a competitive pricing strategy.

Trade and bills receivables

Trade and bills receivables of Vastec primarily relate to receivables for its IVD products sold to its customers and maintenance service provided to the end customers of Sysmex' haemostasis products. Vastec generally do not grant credit period for sale of reagents and generally grants its customers a credit period of 90 days for IVD analysers, except for a few major customers that Vastec grants a credit period up to 120 days from the billing date, based on their background and operational scale, financial condition, business relationship with Vastec and historical payment record.

The following table sets out a breakdown of trade and bill receivables of Vastec as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade receivables	107,919	139,683	186,692
Impairment	(1,117)	(2,559)	(1,694)
Bills receivables	250	704	5,910
Total:	107,052	137,828	190,908

Trade receivables of Vastec increased from approximately RMB107.9 million as at 31 December 2016 to approximately RMB139.7 million as at 31 December 2017. The increase was primarily due to: (i) the increased sales of IVD reagents and other consumables as a result of the installation of new IVD analysers at the end customers; and (ii) the increased maintenance fees charged to Sysmex for the maintenance services provided to the end customers of Sysmex' haemostasis analysers. Trade receivables of Vastec further increased from approximately RMB139.7 million as at 31 December 2017 to approximately RMB186.7 million as at 31 December 2018. The increase was primarily due to the effect of seasonality and as sales volume tends to be relatively larger in the fourth quarter of the year and that there was an increase in the purchase orders made for IVD analysers (which have a longer credit period than IVD reagents).

The senior management of Vastec closely and actively monitors the recoverability of Vastec's trade receivables on a regular basis, and when appropriate, provides for impairment for these trade receivables. The senior management of Vastec typically reviews the recovery status of its trade receivables from the individual customer on a case-by-case basis and maintain strict control over its outstanding receivables and overdue balances in order to minimise its credit risk. In order to reduce the average turnover days of Vastec's trade receivables, Vastec will designate sales representatives dedicated to remind its customers to settle their accounts at least one week ahead of the settlement date, and will continue to follow up with such customers, to make sure that they will settle their payments on time. In addition, Vastec will also leverage on its expanded distribution network and bargaining power to try to reduce the credit terms to be granted to its distributors. As at 31 December 2016, 2017 and 2018, Vastec had aggregate carrying amount of trade receivables of approximately RMB107.9 million, RMB139.7 million and RMB186.7 million, respectively, the directors of Vastec consider that there has not been a significant change in credit quality and the amounts are still considered recoverable bases on its historical experience. Further, based on the requirement under IFRS 9 which came into effect on 1 January 2018, the directors of Vastec assessed and provided impairment of trade receivables of approximately RMB1.1 million, RMB2.6 million and RMB1.7 million as at 31 December 2016, 2017 and 2018, respectively. For more details, please refer to section headed "Financial Information of Vastec – Quantitative and qualitative disclosures about market risk – Credit risks" in this prospectus and Note 16 to the accountant's report in Appendix II to this prospectus. The directors of Vastec believe that its policy for the provision for impairment of trade receivables is adequate.

The following table sets out the ageing analysis of trade and bills receivables of Vastec as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 1 month	62,138	108,399	138,916
1 to 2 months	17,838	4,934	3,201
2 to 3 months	8,437	3,678	2,582
Over 3 months	18,639	20,817	46,209
	107,052	137,828	190,908

As at 30 April 2019, approximately RMB144.5 million or approximately 75.7% of trade and bills receivables of Vastec as at 31 December 2018 had been settled.

The following table sets out the average turnover days of trade receivables of Vastec for the periods indicated:

	Year ended 31 December		
	2016	2017	2018
Average turnover days of trade receivables[(1)]	26	28	32

Note:

(1) Average turnover days of trade receivables equal to the average of the opening and closing balances of trade receivables for the relevant financial year/period divided by revenue for the relevant financial year/period and multiplied by the number of days in the relevant year/period.

The average turnover days of trade receivables of Vastec remained relatively stable at 26, 28 and 32 days for the years ended 31 December 2016, 2017 and 2018.

Prepayments and other receivables

The following table sets out a breakdown of prepayments, deposits and other receivables of Vastec as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Prepayments	174,804	217,685	187,223
Deposits and other receivables	2,642	1,956	5,444
Total:	177,446	219,641	192,667

Prepayments of Vastec primarily related to Vastec's prepayments for its purchases of Sysmex' haemostasis products through Agent A, which increased from approximately RMB174.8 million as at 31 December 2016 to RMB217.7 million as at December 2017. Such increase was primarily due to the increase of procurement of Sysmex' products through Agent A. Please refer to the section headed "Business – Suppliers and customers – Suppliers of Vastec" in this prospectus for details. The prepayments of Vastec decreased from RMB217.7 million as at 31 December 2017 to RMB187.2 million as at 31 December 2018, which was primarily due to the increased delivery volume from Agent A.

Trade payables

Trade payables of Vastec primarily represent purchases of haemostasis products from Sysmex and other IVD products from other international manufactures. Suppliers generally offer a credit period of 90 days to Vastec, and Vastec generally settles payables in Renminbi in the PRC and in Hong Kong dollars in Hong Kong.

Trade payables of Vastec decreased from approximately RMB141.3 million as at 31 December 2016 to approximately RMB119.7 million as at 31 December 2017 due to a one-off credit of approximately RMB50.0 million provided to Vastec by Sysmex. The trade payables further decreased to approximately RMB87.4 million as at 31 December 2018. The changes of the ending balance of the trade payables was primarily due to the settlement between Vastec and Sysmex.

The following table sets out the ageing analysis of our trade payables as at the dates indicated, based on the invoice date:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Within 1 month	22,282	34,465	37,228
1 to 2 months	22,147	84,510	406
2 to 3 months	95,852	662	40,600
Over 3 months	1,063	53	9,212
	141,344	119,690	87,446

Trade payables of Vastec during the Track Record Period were generally settled within 90 days. As at 30 April 2019, approximately RMB77.5 million or 88.6% of trade payables of Vastec as at 31 December 2018 had been settled.

The following table sets out the average turnover days of trade payables of Vastec for the periods indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
Average turnover days of trade payables[(1)]	35	39	25

Note:

(1) Average turnover days of our trade payables equal to the average of the opening and closing balances of trade payables for the relevant financial year divided by cost of sales of the relevant financial year/period and multiplied by the number of days in the relevant year.

The average turnover days of trade payables of Vastec increased from 35 days for the year ended 31 December 2016 to 39 days for the year ended 31 December 2017, primarily due to the stronger bargaining power of Vastec resulted from the purchase volume increased. The average turnover days of trade payables were decreased to 25 days for the year ended 31 December 2018, primarily due to the settlement of certain trade payables at the end of the year. Vastec's average turnover days of trade payables were lower than the credit terms granted by its suppliers, mainly as a result of the procurement arrangement with Agent A, which required Vastec to make advanced payments to Agent A when purchasing Sysmex' products. Please refer to the section headed "Business – Suppliers and Customers – Suppliers of Vastec" in this prospectus for details.

Other payables and accruals

The following table sets out a breakdown of other payables and accruals of Vastec as at the dates indicated:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Contract liabilities	22,604	20,369	16,742
Other payables	14,225	28,447	8,769
Due to directors	43,810	40,644	42,836
Accruals	20,059	25,828	19,542
Total:	100,698	115,288	87,889

Contract liabilities of Vastec mainly represent short-term advances received to deliver goods. The balance of contract liabilities decreased from approximately RMB22.6 million as at 31 December 2016 to approximately RMB20.4 million as at 31 December 2017 and further decreased to approximately RMB16.7 million as at 31 December 2018. Such decreases were mainly due to the changes in short-term advances received from customers in relation to the sales of analysers, reagents and consumables at the same periods.

Other payables of Vastec mainly represent payables for value-added tax and other tax payables. The balance of the other payables increased from approximately RMB14.2 million as at 31 December 2016 to approximately RMB28.4 million as at 31 December 2017. Such increase was mainly due to increase in the value-added tax payables. Other payables of Vastec decreased from approximately RMB28.4 million as at 31 December 2017 to approximately RMB8.8 million as at 31 December 2018. Such a sharp decrease was mainly due to the decrease of the value-added tax payables.

As at 31 December 2016, 2017 and 2018, Vastec had outstanding balances due to directors of approximately RMB43.8 million, RMB40.6 million and RMB42.8 million, respectively. The outstanding balances due to directors were all non-trade in nature, unsecured and bear interest rate of 4.2% per annum, and are repayable on demand. Such balances will be settled prior to Listing. For more details, please refer to Note 20 to the accountants' report in Appendix II to this prospectus.

Accruals of Vastec mainly represent reserved year-end bonuses for its employees. The balance of accruals increased from approximately RMB20.1 million as at 31 December 2016 to approximately RMB25.8 million as at 31 December 2017. Such increase was mainly due to an increase in the accrued staff bonuses. Accruals of Vastec decreased from approximately RMB25.8 million as at 31 December 2017 to RMB19.5 million as at 31 December 2018. Such decrease was primarily due to decrease in the accrued staff bonuses.

Amounts due to shareholders and a related party

Amounts due to shareholders were all non-trade in nature and the balance were all unsecured, non-interest bearing and repayable on demand. Amounts due to a related party were non-trade in nature, unsecured and bear interest rates ranging from 3.4% to 4.0% per annum, and is repayable on demand. Such amounts will be settled prior to Listing. For more details, please refer to Note 21 to the accountant's report in Appendix II to this prospectus.

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Due to shareholders			
Huatuo International Development Co., Ltd.	351	–	–
IVD Medical Holding Limited	–	–	–
	351	–	–
Due to a related party			
IVD International Limited	–	52,758	21,812

As at 31 December 2016, 2017 and 2018, Vastec had amounts due to shareholders of approximately RMB0.4 million, nil and nil, respectively. As at 31 December 2016, 2017 and 2018, Vastec had amounts due to a related party of nil, approximately RMB52.8 million and approximately RMB21.8 million, respectively.

INDEBTEDNESS

Interest-bearing bank borrowings

Vastec's bank borrowings primarily consisted of short and long-term working capital loans and dominated in Renminbi. All of Vastec's bank borrowings as at 31 December 2016, 2017 and 2018 were secured by a Shareholder, Shinva and repayable within one year on demand. Bank borrowings of Vastec amounted to approximately RMB130.0 million, RMB100.0 million and RMB40.0 million as at 31 December 2016, 2017 and 2018, respectively, and bore interest at approximately 4.4%, 4.5% and 5.2%-5.3% per annum as at 31 December 2016, 2017 and 2018, respectively. Directors of Vastec confirm that all of the guarantees will be released before Listing.

As at 30 April 2019, being the latest practicable date for the purpose of indebtedness statement in this prospectus, bank loans of Vastec, amounted to approximately RMB100.0 million, which were primarily used to support Vastec's general working capital as its business continues to grow. As at 30 April 2019, Vastec had unutilised banking facilities of approximately RMB183.2 million with no restriction on their drawdown.

Lease liabilities

As at 30 April 2019, Vastec had total lease liabilities of approximately RMB27.4 million with the adoption of IFRS 16 which has become effective for annual periods beginning on or after 1 January 2019.

CAPITAL EXPENDITURES

Historical capital expenditures

The following table sets out the historical capital expenditures of Vastec during the periods indicated:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	18,990	15,865	16,356
Total:.........................	18,990	15,865	16,356

The capital expenditures incurred during the Track Record Period primarily related to the purchase of equipment and supplies for warehouse and training centre.

Planned capital expenditures

Save for the planned capital expenditures as disclosed in the section headed "Future Plans and Use of Proceeds" and the working capital necessary for Vastec's business operation, Vastec had no material planned capital expenditures as at the Latest Practicable Date.

CONTRACTUAL COMMITMENTS

Operating lease commitments

Vastec leases certain office premises under operating lease arrangements. Leases for the office premises are negotiated for terms ranging from two to three years. The following table sets out the outstanding commitments for future minimum lease payments under Vastec's non-cancellable lease arrangements as at the dates indicated:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**
Within one year	5,363	8,189	9,381
In the second to fifth years, inclusive	7,768	20,053	17,085
Total:	13,131	28,242	26,466

As at 31 December 2016, 2017 and 2018, Vastec had a total operating leasing commitment of approximately RMB13.1 million, RMB28.2 million and RMB26.5 million, respectively. As at 30 April 2019, Vastec had total lease liabilities of approximately RMB26.9 million with the adoption of IFRS 16 which has become effective for annual periods beginning on or after 1 January 2019.

RELATED PARTY TRANSACTIONS

During the Track Record Period, Vastec entered into various transactions with related parties, including but not limited to, Dacheng, IVD China, Mr. Ho and Mr. Leung, and some of which will continue after the Listing. These transactions primarily include (i) sales of IVD products and provision of after-sales services to Dacheng; (ii) purchases of medical equipment from Dacheng and IVD China; and (iii) rent of premises for office use and provision of loans for the working capital purpose from Mr. Ho and Mr. Leung. Directors of Vastec are of the view that such transactions have been carried out in the ordinary course of business of Vastec and are entered into on normal commercial terms and are fair and reasonable. Please refer to the sections headed "Connected Transaction – Non-exempt Continuing Connected Transactions" in this prospectus for further details of Vastec's connected transactions.

CONTINGENT LIABILITIES

Vastec had no significant contingent liabilities as at the end of the Track Record Period and as at the Latest Practicable Date.

FINANCIAL RATIOS

	Year ended 31 December		
	2016	2017	2018
	%	%	%
Gross profit margin(1)	23.9	22.6	19.9
Net profit margin(2)	10.1	10.9	10.4
Return on assets(3)	17.9	17.3	17.5
Return on equity(4)	31.6	30.8	26.9

	As at 31 December		
	2016	2017	2018
	Times	Times	Times
Current ratio(5)	2.2	2.5	4.0
Quick ratio(6)	1.2	1.4	2.0
Debt to equity ratio(7)	0.3	0.2	0.1

Notes:

(1) Gross profit margin equals our gross profit for the financial year divided by revenue for the same financial year.

(2) Net profit margin equals our net profit after tax for the financial year divided by revenue for the same financial year.

(3) Return on assets equals net profit for the period for the financial year divided by the average total assets as at the end of the financial year.

(4) Return on equity equals net profit attributable to the owner of the Company for the financial year divided by average equity attributable to the owner of the Company amounts as at the end of the financial year.

(5) Current ratio equals our total current assets divided by total current liabilities as at the end of the financial year/period.

(6) Quick ratio equals our total current assets less inventories divided by total current liabilities as at the end of the financial year.

(7) Debt to equity ratio equals total debt divided by total equity as at the end of the financial year. Debt means interest-bearing bank borrowings.

Return on assets

The return on assets of Vastec decreased from approximately 17.9% for the year ended 31 December 2016 to approximately 17.3% for the year ended 31 December 2017 and increased from approximately 17.3% for the year ended 31 December 2017 to approximately 17.5% for the year ended 31 December 2018. Such changes were mostly stable throughout the Track Record Period as they were related to the changes in inventories and prepayments and other receivables as a result of the continuous expansion of Vastec's business.

Return on equity

The return on equity of Vastec decreased from approximately 31.6% for the year ended 31 December 2016 to approximately 30.8% for the year ended 31 December 2017 and further decreased to approximately 26.9% for the year ended 31 December 2018. Such decreases were primarily due to the increase in capital reserve.

Current ratio

The current ratio of Vastec increased from approximately 2.2 times as at 31 December 2016 to approximately 2.5 times as at 31 December 2017. Such increase was primarily due to the increase in (i) cash and cash equivalents; (ii) trade and bills receivables; (iii) prepayments and other receivables; and (iv) inventories as well as the decrease in interest-bearing bank borrowings. The current ratio of Vastec further increased from approximately 2.5 times as at 31 December 2017 to approximately 4.0 times as at 31 December 2018. Such an increase primarily due to the increase in (i) inventories; and (ii) trade and bills receivables as well as the decrease in (i) interest-bearing bank borrowings; and (ii) trade payables.

Quick ratio

Vastec had quick ratio of approximately 1.2 times, 1.4 times and 2.0 times as at 31 December 2016, 2017 and 2018, respectively. The quick ratio of Vastec increased from approximately 1.2 times as at 31 December 2016 to approximately 1.4 times as at 31 December 2017. Such increase was primarily due to the increase in cash and cash equivalents. The quick ratio of Vastec further increased to approximately 2.0 times as at 31 December 2018, primarily due to the sharp decrease in interest-bearing bank borrowings.

Debt to equity ratio

Vastec had debt to equity ratio of approximately 26.4%, 15.7% and 5.0% as at 31 December 2016, 2017 and 2018. The debt to equity ratio of Vastec decreased from approximately 26.4% as at 31 December 2016 to approximately 15.7% as at 31 December 2017 and further decreased to approximately 5.0% as at 31 December 2018. Such decreases were primarily due to the decrease in interest-bearing bank borrowings.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, Vastec did not have any off-balance sheet arrangements or commitments.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The main market risks that Vastec is exposed to in the ordinary course of business include interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of Vastec manage its exposure to these and other market risks through regular operating and financial activities.

Interest rate risk

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

Foreign currency risk

Vastec has transactional currency exposures. Such exposures arise from bank deposits held by operating units in currencies other than the units' functional currency. For the years ended 31 December 2016, 2017 and 2018, approximately 14.8%, 11.9% and 6.1% of the Vastec's cash and cash equivalents were denominated in currencies other than the functional currency of the operating units, respectively.

Credit risk

Vastec trades only with recognised and creditworthy third parties. It is Vastec'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 Vastec's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, Vastec does not offer credit terms without the specific approval of the head of credit control.

Liquidity risk

Vastec's objective is to maintain a balance between continuity of funding and flexibility through the use of long term bank borrowings and projected cash flows from operations. For more details of Vastec's liquidity risk, please refer to Note 32 to the accountants' report in Appendix II to this prospectus.

DISTRIBUTABLE RESERVES

Under the Companies Law, Vastec may pay dividends out of its profit or its share premium account in accordance with the provisions of its Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, it remains able to pay Vastec's debts as and when they fall due in the ordinary course of business. As at 31 December 2016, 2017 and 2018, distributable reserve of the Vastec was approximately RMB491.1 million, RMB637.0 million and RMB793.2 million, respectively.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

EVENTS AFTER THE RELEVANT PERIODS

On 25 January 2019, a special dividend of approximately RMB400 million was declared by the board of directors and approved by the shareholders of Vastec. For more information, please see the paragraph headed "Summary – Special Dividend Prior to the Listing". Directors of Vastec confirm that, up to the date of this prospectus, there had been no material adverse change in its financial or trading position since 31 December 2018 and there is no other event since 31 December 2018 which would materially affect the information shown in the accountants' report in Appendix II to this prospectus.

DIVIDEND DISTRIBUTION

For the years ended 31 December 2016, 2017 and 2018, Vastec distributed dividends of approximately RMB34.9 million, RMB28.1 million and RMB36.0 million, respectively, to its equity holders.

FUTURE PLANS

Please refer to the section headed "Business – Our business strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$3.38 per Offer Share, being the mid-point of the indicative Offer Price range of HK$3.07 to HK$3.68 per Offer Share) will be approximately HK$1,030.9 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately 44.8%, or HK$461.7 million will be used to settle the outstanding balance of the cash consideration for the acquisition of 60% equity interest in Vastec. Please see the section headed "History, Reorganisation and Corporate Structure – Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors – Phase 2: Pre-IPO Investment in 2019 with Huatuo" for more details;

- approximately 29.8%, or HK$306.8 million will be used to pay part of the Special Dividend to the existing shareholders of our Company and Vastec pursuant to the Shareholders' Agreement. Any outstanding amount of the Special Dividend will be paid with our own capital resources (including our existing cash resources, as well as available and future banking facilities) by instalments according to the stipulated timeline, unless upon the occurrence of certain events specified in the Shareholders' Agreement. Please see the sections headed "History, Reorganisation and Corporate Structure – Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors – Phase 2: Pre-IPO Investment in 2019 with Huatuo" and "History, Reorganisation and Corporate Structure – Pre-IPO Investments – 2. Summary of Material Terms of the Pre-IPO Investments" for more details;

- approximately 9.9%, or HK$102.3 million will be used to expand our customer base under our distribution business, in particular to establish relationship with six hospitals and healthcare institutions to provide solution services by the end of 2021. Please see the section headed "Business – Distributors Business – Through our Original Group – Hospitals and healthcare institutions" in this prospectus for details of solution services. According to Frost & Sullivan, the hospitals' management cost of IVD consumables have been increasing. Facing intensive cost-cutting pressure, the hospitals are willing to hand over the management of inventory, logistics and procurement of IVD products to solution service providers in order to save costs and increase efficiency. Considering the growing size of the tier 1 IVD distribution market in the PRC, (reaching approximately RMB187.3 billion by 2023, with a CAGR of approximately 19.2% from 2018), our Directors believe that there is adequate support for our plans to expand our customer base via the provision of solution services.

By doing so approximately HK$17.1 million will be used to engage with each of the hospitals and healthcare institutions, including:

(i) approximately HK$11.7 million to purchase equipments that cover the testing categories of microbiology, immunoassay, clinical chemistry and POCT for each of the hospitals, details of which are as follows:

(a) *Use of equipment*:

The equipment to be purchased shall include the following:

- an automated testing line for immunoassay and microbiology tests, mainly for the use of testing the concentration of protein, lipids, enzymes and various substances in blood, urine or cerebrospinal fluid;

- an automated testing line for urinalysis, mainly for the use of qualitative and quantitative analyses of substances in urine that was immediately sampled;

- various types and models of analysers including haemostasis analysers, CRP analysers to be placed in the emergency department of the hospitals, mainly for the use of conducting urgent IVD tests in emergency situations;

- a fully-automated blood culture system, mainly for the use of microbial culturing, agitation and monitoring in blood and sterile body fluid samples; and

- a fully-automated microbiology analysis system, mainly for the use of identifying bacteria and yeast.

(b) *Management and handling personnel:*

In order to ensure effective management of the equipment installed at the hospitals,

- dedicated onsite representatives shall be present in the hospitals during the entirety of the solution services agreement, primarily providing inventory management, support, procurement and technical assistance services;

- these representatives shall be the first point-of-contact when the hospitals require assistance in matters in relation to the equipment installed;

- these representatives will also assist in the design and planning stages when a hospital is about to establish a new clinical laboratory, in providing guidance on which equipment to procure in order to satisfy the specific requirements of the particular laboratory;
- the Company will be liaising and providing assistance to the onsite representatives whenever required;
- specific guidelines, instruction manuals, management policies in relation to the equipment installed at the hospitals shall be provided by the onsite representatives, and these representatives will regularly monitor the operations of the hospital to ensure that such guidelines, manuals and policies are followed; and
- the onsite representatives shall also assist and monitor the hospital's record keeping in relation to the equipment installed.

(c) Terms of use and accounting

The hospitals shall abide by the following terms of use:

- the hospitals will only perform the tests specific to the equipment installed;
- the hospitals will recruit and train their own technical staff to operate such equipment, the onsite representatives shall only act in a liaison capacity;
- to avoid unnecessary malfunctions, damage total breakdown of the equipment, the technical staff of the hospitals shall operate the equipment as specified in the instruction manuals provided;
- the hospitals may be charged a rental fee for the equipment installed, subject to the negotiations between the Company and the hospitals, but the equipment will not be sold to the hospitals, thus the equipment may be retrieved by the Company upon the termination or expiration of the solution services agreement;
- the hospitals shall make reasonable efforts to ensure that the equipment is accounted for, secure, and safe from vandalism or theft, and the onsite representatives should be informed, notified and consulted on a regular basis; and
- such equipment will be accounted as service equipment under property, plant and equipment, with an annual depreciation rate of 20%.

(ii) approximately HK$2.4 million to purchase spare parts in relation to the equipment to be purchased as stated above, and hiring in-house technicians for our after-sales services;

(iii) approximately HK$1.2 million to install an LIS information system (an information system that will record, process, store and integrate information in relation to laboratory tests and equipment for each of the hospitals), which will be beneficial to our customers as it will (i) harmonise information management in the hospital and/or healthcare institution across various laboratories; (ii) reduce the risk of human error in mislabelling test results and laboratory items; and (iii) easily produce reports that will adhere to the standards provided by the relevant authorities;

(iv) approximately HK$0.6 million to provide cold chain services for each of the hospital, which will consist of the construction of cold chain storage facilities at the hospital or healthcare institute and the purchase of cold chain vehicles to be stationed at the facilities;

(v) approximately HK$0.6 million to hire staff for each hospital or healthcare institution customer, which includes the hiring of (i) a project manager, who will be responsible for managing the solution services provided, monitoring the operations, controlling the costs involved, and looking for opportunities for expansion, ideally with an academic background and experience in business management; (ii) an onsite representative, who will be monitoring and managing orders and inventories at the hospitals, ideally with an academic background and experience in sales and management; (iii) a quality control officer, who will be responsible with the quality control of the analysers and reagents, ideally with an engineering or science background; (iv) a procurement officer, who will be responsible in the external procurement of analysers and reagents for the hospital or healthcare institution customer, ideally with an academic background and experience in sales and management; and (v) a technician, who will be providing technical support to the analysers and the LIS information system, ideally with a technical background; and

(vi) approximately HK$0.6 million for renovation of the clinical laboratories and purchase of clinical laboratories and office supplies for each of the hospital;

Our Directors estimate and intend to engage two hospitals and/or healthcare institutions for each of 2019, 2020 and 2021;

- approximately 5.1%, or HK$52.3 million will be used to continue the research and development of our self-branded products, including:

(i) approximately 1.8%, or HK$18.2 million, for the research and development of CRP analysers (via our in-house research and development efforts) and Immuno Luminance analysers (via technology transfer agreements with manufacturers located overseas), which will take place in the following phases:

– By the end of 2020 – to complete structural designs, finalise plans to develop both hardware and software, and to finalise calibrations on software design;

– By the end of 2021 – to produce four sample/prototypes for further testing and troubleshooting, and to complete all safety and functionally tests; and

– By the end of 2022 – to obtain all necessary certifications and licences;

(ii) approximately 1.1%, or HK$11.4 million, for the research and development of POCT analysers and reagents (via strategic partnerships with manufacturers both in the PRC and overseas that specialise in molecular analysis) that are intended for a quicker diagnosis of respiratory infections and blood infections;

(iii) approximately 1.0%, or HK$10.8 million, for the research and development of a total of 30 types of CRP reagents intended for various diagnoses including two types of reagents for diagnosing inflammations, eight types of reagents for diagnosing kidney functions, three types of reagents for rheumatoid arthritis, ten types of reagents for autoimmune diseases, six types of reagents for cardiovascular diseases and one type of reagent for diagnosing diabetes, which will take place in the following phases:

– By the end of 2020 – to complete market analysis of favourable products and to conduct comparable analysis of similar products, with a report completed by the end of the quarter, and to finalise feasibility and stability analysis on the product;

– By the end of 2021 – to complete clinical trials and to submit the findings to the relevant authorities, and to complete all safety quality control tests; and

– By the end of 2022 – to obtain all necessary certifications and licences;

(iv) approximately 0.9%, or HK$9.7 million for the research and development of a total of 17 types of Luminance reagents intended for various diagnoses, including two types of reagents for diagnosing inflammations, two types of reagents for diagnosing heart muscle failures and heart diseases, four types of reagents for diagnosing cancers, four types of reagents for diagnosing high blood pressure and five types of reagents for diagnosing liver fibrosis, which will take place similar to the development of CRP reagents as stated above; and

(v) approximately 0.2%, or HK$2.3 million for the research and development of a cloud-based data system for our self-branded POCT products, which include the development of software, hardware and the expansion of the IT team.

Our Directors believe that such plans for research and development, which involve an expenditure of approximately HK$52.3 million, is necessary when compared to the current research and development efforts for our self-branded products business segment. As of now, we have two developed reagents and three analysers in development, which incurred research and development expenses between approximately RMB0.1 million and RMB0.6 million. However, with three analysers to be developed (which involves both in-house development and external technology transfer) and around 30 types of reagents to be developed under such plans for research and development expansion efforts, our Directors believe that this increase of research and development expenditure, after the Listing, is necessary and justified.

- approximately 3.7%, or HK$38.6 million will be used to expand our distribution business and improve our distribution value chain, including:

  (i) approximately 2.4%, or HK$25.0 million, to renovate the existing warehouses and set up one new warehouse with a gross floor area of approximately 10,000 sq.m. that will (i) act as the combined warehouse of Dacheng, Vastec and IVD (Shanghai) and installation of a monitoring system; (ii) replace our current need to engage third party logistics company for storage due to shortage of space for our entire inventory; and (iii) support our future expansion and increase in inventories, approximately HK$12.0 million of the HK$25.0 million will be used for rental payment and deposit; and approximately HK$10.0 million of the HK$25.0 million will be used for renovation, purchase of equipment, hiring of eight warehouse managers and other related expenses; and

  (ii) approximately 1.3%, or HK$13.6 million, for expansion of the sales team of our distribution business, by recruiting 20 additional sales personnel in order to expand our market share and further strengthen our market position in the PRC.

- approximately 6.7%, or HK$69.2 million will be used for working capital and general corporate purposes.

If the Offer Price is set at the high end of the indicative Offer Price range, being HK$3.68 per Offer Share, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase by approximately HK$96.0 million. If the Offer Price is set at the low end of the indicative Offer Price range, being HK$3.07 per Share, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease by approximately HK$99.2 million. We will adjust the allocation of the net proceeds for the above purposes (other than the net proceeds (i) to be used to settle the cash consideration for the acquisition of 60% equity interest in Vastec; and (ii) to be used to pay part of the Special Dividend) on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds of the Global Offering will increase to approximately HK$1,127.2 million, assuming the Offer Price is set at the mid-point of the indicative Offer Price range. If the Offer Price is set at the high end of the indicative Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK$104.6 million. If the Offer Price is set at the low end of the indicative Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will decrease by approximately HK$108.0 million. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes (other than the net proceeds (i) to be used to settle the cash consideration for the acquisition of 60% equity interest in Vastec; and (ii) to be used to pay part of the Special Dividend) on a pro-rata basis.

Should our Directors decide to reallocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

Under PRC Laws and Regulations, subject to the relevant PRC governmental approval, registrations and/or filings, the net proceeds of the Global Offering can be applied in the PRC according to the above intended use of the net proceeds under the relevant existing laws and regulations in the PRC by: (i) increasing the registered capital of our subsidiary in the PRC; (ii) establishing a new subsidiary in the PRC; (iii) acquiring equity interests in other companies in the PRC; and/or (iv) providing shareholder's loans to our subsidiary in the PRC in an amount not exceeding the difference between the investment amount and the registered capital of such subsidiary. Our Directors are of the view that there will be no material impact on our Group's liquidity requirements if the net proceeds of the Global Offering cannot be applied in the PRC.

REASONS FOR LISTING IN HONG KONG

Our Directors believe that the Listing will greatly benefit our Group for the following reasons:

(i) Greater exposure to the investment community for future fund raising

Our Company is applying for a listing in Hong Kong for its high level of maturity in the global financial market and sufficient institutional capital and funds following listed companies. The Listing also offers a trusted platform to reach a broad range of investors to help fuel business growth. Therefore, our Company believes that, after the Listing, there will be higher liquidity and valuation, and greater exposure to a broader investment community, which would facilitate our future fund raising should such need arise. We believe that the Listing represents an important step to implement our business strategies. Through the Listing, not only we can raise funds from the Global Offering and apply them to the mentioned uses, we believe that we will be able to gain access to capital market for future secondary fund raising for our further expansion.

(ii) Ease of raising funds for operations and business development

The distribution and manufacturing of IVD products typically requires a certain amount of capital and cash flow in order to secure distribution rights, procure sufficient inventories, operate the manufacturing facilities and to manage a sizeable team. During the Track Record Period, we had, in general, a negative cash flow from operating activities, partially due to the increased inventories procured in order to increase the likelihood to securing distribution rights and to be appointed as a regional distributor of Sysmex' urinalysis products in Shanghai. We believe that such uses of cash in operating activities will continue to be an industry practice in the IVD distribution industry in the future.

(iii) Enhance our Group's competitiveness and brand awareness

Our Directors consider that the Listing is a key strategy for us to enhance our competitiveness. It is expected that both our suppliers and customers would tend to give preference to companies that have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. We also believe that the Listing will strengthen our internal control and corporate governance practices, which in turn would increase our customers' and suppliers' confidence in us and attract potential new customers and suppliers. Considering the above, our Directors believe that our Group will be able to maintain our competitiveness against market leaders and to differentiate ourselves from other competitors which are non-listed companies, thus enhancing our success rate in securing more distribution rights. Our Directors also believe that, after Listing, our Group will gain higher bargaining power when negotiating terms with our customers and suppliers.

We also consider that the Listing, which itself is a form of complimentary advertising, will enhance our Group's corporate profile, market reputation and brand awareness and this will strengthen our customers' confidence in our Group and in turn boost our business.

(iv) Diversification of shareholder base and liquidity in the trading of Shares

Our Directors believe that the Listing will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

Considering such, despite the fact that our Group was able use internally generated funds and bank borrowings during the Track Record Period, our Directors believe that we would be in a better position to negotiate with banks and financial institutions if we are a listed company with an enlarged capital structure, which in turn would enable our Group to obtain bank borrowings with more favourable terms from banks and financial institutions.

HONG KONG UNDERWRITERS

BOCI Asia Limited
AMTD Global Markets Limited
China Industrial Securities International Capital Limited
Haitong International Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company agreeing to the final Offer Price), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by the Sole Global Coordinator, in its sole and absolute discretion (for itself and on behalf of the Hong Kong Underwriters) by notice orally or in writing to our Company at any time prior to 8:00 a.m. on the Listing Date if:

(a) there develops, occurs, exists or comes into force:

(i) any event or series of events resulting in or representing a calamity or crisis or a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions or sentiments (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets, investment and credit markets and inter-bank markets) or currency exchange rate or controls in or affecting Hong Kong, the PRC, the United States, the European Union (or any member thereof), Singapore, the United Kingdom and the Cayman Islands, or any other jurisdiction in which any member of the Group operates (collectively the "**Relevant Jurisdictions**"); or

(ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), epidemic, pandemic, outbreak of infectious disease (including without limitation SARS, MERS, H5N1, H7N9 or H1N1 or swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation or economic sanctions) in or affecting any of the Relevant Jurisdictions; or

(iv) without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(v) the imposition or declaration of (1) any moratorium, suspension, restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, NYSE Amex Equities, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange or (2) any moratorium on, or disruption in, banking activities (commercial or otherwise) or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or

(vi) any change or development involving a change or prospective change in taxation or exchange controls (or the implementation of any exchange control) or currency exchange rates or foreign investment regulations in or affecting any of the Relevant Jurisdictions (including without limitation any fluctuation in the Hong Kong dollars or Renminbi against any foreign currencies); or

(vii) the commencement by any authority or other regulatory or political body or law enforcement agency or organisation of any action or investigation against any Director, or an announcement by any authority or regulatory or political body or law enforcement agency or organisation that it intends to take any such action; or

(viii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, the U.S. or the European Union (or any member thereof) on any of the Relevant Jurisdictions; or

(ix) any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the value of the Renminbi is determined by reference to a basket of world currencies or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currency; or

(x) any change or development or event involving a prospective change in the Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects, or any change in capital stock or long-term debt of the Company or any other member of the Group, or any loss or interference with the assets, operations or business of the Company or any other member of the Group, which (in any such case) is not set forth in this prospectus; or

(xi) a demand by any tax authority for payment for any tax liability for any member of the Group; or

(xii) a demand by any creditor for repayment or payment of any indebtednesses of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Hong Kong Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law,

and which, in any such case (whether individually or in the aggregate) and in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters): (1) is or will or may be materially adverse to, or materially and prejudicially affect, the assets, liabilities, the business, general affairs, management, shareholder's equity, profit, losses, results of operations or financial or trading position or condition, or prospects of the Group as a whole or any present or prospective shareholder in its capacity as such; or (2) has or will or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of the Offer Share; and/or make it impracticable, inadvisable, inexpedient or not commercially viable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (3) makes or will or may make it impracticable, inadvisable, inexpedient, incapable or not commercially viable to proceed with any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering and/or the Global Offering or the delivery of Shares on the terms and in the manner contemplated by this prospectus or for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged; or

(b) there has come to the notice of the Sole Global Coordinator or it has reasonable cause to believe:

(i) that any statement contained in any of the formal notice in relation to the Hong Kong Public Offering, this prospectus and the Application Forms or other documents relating to the Global Offering was or has become untrue or incorrect or incomplete or misleading in any respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in this prospectus or any notice, advertisement or announcement issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(ii) any matter which would, if the formal notice in relation to the Hong Kong Public Offering, this prospectus and the Application Forms or other documents relating to the Global Offering and/or any notice, advertisement or announcement issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) were issued at that time, constitute a material omission therefrom; or

(iii) that any of the warranties or representations given by the Company and the warrantors under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement is (or would if repeated at that time be) breached or is untrue or incorrect or incomplete in any respect or misleading; or

(iv) any matter, event, act or omission which gives or is likely to give rise to any liability on the part of the Company, the warrantors or any of them out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties given by the Company, the warrantors or any of them under the Hong Kong Underwriting Agreement; or

(v) any matter, event, act or omission which gives rise or is likely to give rise to any liability of the Company, the warrantors or any of them pursuant to the indemnities under the Hong Kong Underwriting Agreement; or

(vi) any breach of any of the obligations or undertakings of the Company, the executive Directors or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement as determined by the Sole Global Coordinator in its sole and absolute opinion is material; or

(vii) that (1) any Director named in this prospectus seeks to resign or retire, or is removed from office, or (2) any certificate given by the Company or any of its officers to the Sole Global Coordinator under or in connection with the Hong

Kong Underwriting Agreement or the Global Offering is false or misleading, or (3) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(viii) a contravention by any member of the Group of the Listing Rules or the Companies Ordinance or any applicable laws or regulations; or

(ix) any material litigation, legal action or claim being threatened or instigated against any member of the Group or any Director; or

(x) a petition is presented for the winding-up or liquidation (other than by way of voluntary winding-up) of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(xi) a prohibition on the Company for whatever reason from allotting, issuing the Offer Shares (including the Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xii) the Company withdraws this prospectus and/or the Application Forms; or

(xiii) approval by the Listing Committee for the listing of, and permission to deal in, the Shares to be issued or sold (including any Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued upon the exercise of the options granted or to be granted under the ESOP or the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(xiv) Ernst & Young as the reporting accountant, Jingtian & Gongcheng as the legal advisers to the Company as to PRC law, Conyers Dill & Pearman as the legal advisers to the Company as to Cayman Islands law, or Frost & Sullivan as the industry consultant in relation to the Global Offering, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

Undertakings to the Hong Kong Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Global Offering and the Over-allotment Option, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and our Company respectively that, except pursuant to the Stock Borrowing Agreement as described and contained in this prospectus, it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which he/it is shown by this prospectus to be the beneficial owners; or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he/it pledges or charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall also inform the Stock Exchange in writing as soon as it has been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of a public announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

Our Company has undertaken to each of the the Sole Sponsor, Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering and the Over-allotment Option, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date which is six months after the Listing Date (the "**First Six-Month Period**"), our Company will not, and will procure that each other member of the Group will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) and (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) and (c) above, in each case, whether any of the foregoing transactions specified in paragraphs (a), (b) and (c) above is to be settled by delivery of the Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not such issue of the Shares or securities will be completed within such period). In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market in the securities of our Company. Each of our Controlling Shareholders undertake to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters to procure our Company to comply with the undertakings set out above.

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save as pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he/it will not and, will procure that none of the relevant registered shareholder(s) will, during the First Six-Month Period: (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) provided that the restriction shall not apply to the lending of Shares pursuant to the Stock Borrowing Agreement; or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) he/it will not and, will procure that none of the relevant registered shareholder(s) will, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (i), (ii) or (iii) in paragraph (a) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a Controlling Shareholder of our Company;

(c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in paragraph (i), (ii) or (iii) in paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that such transaction, agreement or announcement, as the case may be, will not, and will procure that none of the relevant registered shareholder(s) will, create a disorderly or false market in the securities of our Company; and

(d) he/it shall, and shall procure that its respective associates and companies controlled by him/it and any nominee or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Underwriting Commission and Expenses

The Hong Kong Underwriters are expected to receive a commission of 3.0% of the Offer Price of all the Hong Kong Public Offer Shares, out of which they will pay any sub-underwriting commission. In addition, our Company may, at our sole discretion, pay an incentive fee of up to 1.0% of the Offer Price of all the Offer Shares under the Global Offering to the Sole Global Coordinator in recognition of its services. Commission payable to the Underwriters, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, is currently estimated to be approximately HK$96.0 million in aggregate (based on an Offer Price of HK$3.38 per Share, being the mid-point of the indicative Offer Price range of HK$3.07 to HK$3.68 per Share, and on the assumption of a commission rate of 3.0%, an incentive fee of 1.0% and the Over-allotment Option not being exercised), which is to be borne by our Company.

International Offering

In connection with the International Offering, it is expected that our Company, will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Offer Shares being offered pursuant to the International Offering.

Our Company and NHPE are expected to grant to the Sole Global Coordinator the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offering to require our Company and NHPE to allot, issue or sell up to an aggregate of 50,010,000 additional Shares, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

INDEMNITY

Each of the warrantors under the Hong Kong Underwriting Agreement has agreed to, jointly and severally, indemnify the Sole Sponsor, the Sole Global Coordinator, and the Hong Kong Underwriters against certain losses which the Sole Sponsor, the Sole Global Coordinator, and/or the Hong Kong Underwriters may suffer, including losses arising from its performance of its obligations under the Hong Kong Underwriting Agreement and any breach by our Company and each of the warrantors under the Hong Kong Underwriting Agreement of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the relevant Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Global Offering (the "**Syndicate Members**") and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to our Shares, other activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on the Stock Exchange) which have as their underlying, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our Shares in most cases.

All these activities may occur both during and after the end of the stabilisation period described in "Structure and Conditions of the Global Offering – Stabilising Action" in this prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$3.68 per Offer Share and is expected to be not less than HK$3.07 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK$3.68 per Share plus 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee amounting to a total of HK$3,717.08 for one board lot of 1,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK$3.68, being the maximum price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 5 July 2019 and in any event, no later than Saturday, 6 July 2019.

The Offer Price will not be more than HK$3.68 per Offer Share and is expected to be not less than HK$3.07 per Offer Share. The Offer Price will be determined within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional, corporate and other investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with us, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics as currently set out in the section headed "Summary" of this prospectus and any other financial information which may change materially as a result of such reduction.

In the absence of any notice being published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the number of Offer Shares and/or the Offer Price, if agreed by us, will under no circumstances be fewer than the number of Offer Shares or be set outside the Offer Price range as stated in this prospectus.

If we are unable to reach agreement with the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Offer Price on or before Friday, 5 July 2019, being the Price Determination Date, and, in any event, if we are unable to reach agreement with the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Offer Price by Saturday, 6 July 2019, the Global Offering will not become unconditional and will lapse immediately.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Offering and the results of application and basis of allotment of the Hong Kong Offer Shares, on Thursday, 11 July 2019.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering and the International Offering. We intend to make available initially up to 333,400,000 Shares under the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon exercise of the options granted under the ESOP), of which 300,060,000 Shares will initially be conditionally placed pursuant to the International Offering and the remaining 33,340,000 Shares will initially be offered to the public in Hong Kong at the Offer Price under the Hong Kong Public Offering (subject, in each case, to reallocation on the basis described below under "Structure and Conditions of the Global Offering – The Hong Kong Public Offering"). We will conditionally place our Shares in the International Offering with professional, institutional, corporate and other investors whom we anticipate to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

Investors may apply for our Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of our Shares to professional, institutional, corporate and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional, corporate and other investors will be required to specify the number of our Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of our Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the Listing. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 16,670,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering) are liable to be rejected.

In connection with the Global Offering, our Company and NHPE intend to grant the Over-allotment Option to the International Underwriter(s) pursuant to the International Underwriting Agreement, exercisable by the Sole Global Coordinator on behalf of the International Underwriter(s). The Over-allotment Option gives the Sole Global Coordinator the right exercisable at any time from the date of the International Underwriting Agreement up to the thirtieth day from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue, and NHPE to sell, up to an aggregate of 50,010,000 additional Shares, representing 15% of the initial size of the Global Offering at the Offer Price solely to cover over-allocations in the International Offering if any. The Sole Global Coordinator may also cover such over-allocations by purchasing the Offer Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. In the event that the Over-allotment Option is exercised, a public announcement will be made. For further details, please refer to subsection headed "– The Over-allotment Option" in this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriter(s) in each case on a several basis, each being subject to the conditions set out under "Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offering". We entered into the Hong Kong Underwriting Agreement and, subject to an agreement on the Offer Price between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), we expect to enter into the International Underwriting Agreement on or around Friday, 5 July 2019. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are expected to be conditional upon each other.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement) for the subscription in Hong Kong of initially 33,340,000 Shares at the Offer Price (representing 10% of the total number of Shares initially available under the Global Offering). Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon the exercise of Over-allotment Option or any Shares which may be allotted and issued upon exercise of the options granted under the ESOP).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the sole discretion of the Sole Global Coordinator.

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

(a) Where the International Offer Shares are fully subscribed or oversubscribed:

(i) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the total number of the Offer Shares available under the Hong Kong Public Offering may be increased to 66,680,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and without taking into account any Shares which may be allotted and issued upon exercise of the options granted under the ESOP);

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 100,020,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and without taking into account any Shares which may be allotted and issued upon exercise of the options granted under the ESOP);

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 133,360,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and without taking into account any Shares which may be allotted and issued upon exercise of the options granted under the ESOP); and

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 166,700,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and without taking into account any Shares which may be allotted and issued upon exercise of the options granted under the ESOP).

(b) Where the International Offer Shares are undersubscribed:

(i) if the Offer Shares for Hong Kong Public Offering are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Offer Shares for Hong Kong Public Offering are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the total number of the Offer Shares available under the Hong Kong Public Offering may be increased to no more than 66,680,000 Offer Shares, representing no more than 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and without taking into account any Shares which may be allotted and issued upon exercise of the options granted under the ESOP).

In accordance with Guidance Letter HKEx-GL91-18, if (i) the Offer Shares under the International Offering are fully subscribed or oversubscribed, and the Offer Shares under the Hong Kong Public Offering are oversubscribed by less than 15 times of the number of Offer Shares initially available under the Hong Kong Public Offering under paragraph (a)(i); or (ii) the Offer Shares under the International Offering are undersubscribed, and the Offer Shares under the Hong Kong Public Offering are fully subscribed or oversubscribed under paragraph (b)(ii) above, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be no more than 66,680,000 Offer Shares , and the final Offer Price shall be fixed at the bottom end of the indicative Offer Price range (i.e. HK$3.07 per Offer Share) stated in this prospectus.

In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in circumstances under paragraph (a)(i), (a)(ii), (a)(iii), (a)(iv) and (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

In addition, if the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such proportion and amounts as they deem appropriate.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued or sold pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued upon exercise of the options granted or to be granted under the ESOP or the Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in our Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters);

(c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of the Hong Kong Public Offering is conditional upon, among other things, the International Offering and the Hong Kong Public Offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and we will notify the Stock Exchange immediately. We will publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse.

In case the Hong Kong Public Offering lapses, we will return all application monies to the applicants, without interest and on the terms set out under "How to Apply for Hong Kong Offer Shares" In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker(s) or other bank(s) licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

THE INTERNATIONAL OFFERING

The number of Offer Shares to be initially offered for subscription or purchase under the International Offering will be 300,060,000 Offer Shares to be offered by us representing 90% of the Offer Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Pursuant to the International Offering, the International Offer Shares will be conditionally placed by the International Underwriter(s), or through selling agents appointed by them, with professional, institutional, corporate and other investors anticipated to have a sizeable demand for Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of the Offer Shares under the Hong Kong Public Offering.

THE OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company and NHPE intend to grant the Over-allotment Option to the Sole Global Coordinator exercisable by the Sole Global Coordinator on behalf of the International Underwriter(s). The Over-allotment Option gives the Sole Global Coordinator the right exercisable at any time from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require our Company to allot and issue, and NHPE to sell up to an aggregate of 50,010,000 additional Shares (consisting of up to 30,010,000 Shares to be allotted and issued by our Company and up to 20,000,000 Shares to be sold by NHPE), representing 15% of the initial size of the Global Offering at the Offer Price solely to cover over-allocations in the International Offering, if any. The Sole Global Coordinator may also cover such over-allocations by purchasing Shares in the secondary market or by a combination of purchase in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the additional Shares to be alloted and issued by our Company will represent approximately 2.2% of our enlarged share capital following the completion of the Global Offering (without taking into account any Shares which may be alloted and issued upon exercise of the options granted under the ESOP). In the event that the Over-allotment Option is exercised, a public announcement will be made.

In order to facilitate settlement of over-allocations in connection with the International Offering, NHPE and the Stabilising Manager will enter into the Stock Borrowing Agreement. Under the Stock Borrowing Agreement, NHPE will agree with the Stabilising Manager that, if requested by the Stabilising Manager, it will, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilising Manager up to 50,010,000 Shares held by NHPE by way of stock lending, in order to cover over-allocations in connection with the International Offering.

The Stock Borrowing Agreement, in compliance with Rule 10.07(3) of the Listing Rules, provides that such stock borrowing arrangement will only be effected by the Stabilising Manager for the purpose of settling over-allocations of Shares in connection with the International Offering and covering any short position prior to the exercise of the Over-allotment Option. The maximum number of shares to be borrowed from NHPE under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option. The same number of Shares so borrowed is to be returned to NHPE or its nominees, as the case may be, not later than the third business day following the earlier of (i) the day on which the Over-allotment Option is exercised in full, or (ii) the last day on which the Over-allotment Option may be exercised by the Stabilising Manager. The stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefits will be made to NHPE by the Stabilising Manager or any of the International Underwriter(s) in relation to such stock borrowing arrangement.

STABILISING ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline in the initial public offer prices. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws, rules and regulations of Hong Kong, over-allocate or any effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing after the last day of the lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any stabilising activity. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option, being 50,010,000 Shares, which is 15.0% of the Shares initially available under the Global Offering.

The Stabilising Manager or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

(i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or

(ii) in connection with any action described in paragraph (i) above:

(A) (1) over-allocate our Shares; or

(2) sell or agree to sell our Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

(B) stock borrowing;

(C) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (A) above;

(D) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or

(E) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B), (ii)(C) or (ii)(D) above.

The Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may include a decline in the market price of our Shares. Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. A public announcement will be made within seven days after the end of the stabilisation period in accordance with the Securities and Futures (Price Stabilizing) Rules of the SFO.

Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 12 July 2019, it is expected that dealings in our Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, 12 July 2019. The Shares will be traded on the Main Board in board lots size of 1,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and us on the Price Determination Date and subject to the other conditions set out in subsection headed "– Conditions of the Hong Kong Public Offering" above.

We expect, shortly after determination of the Offer Price on the Price Determination Date, to enter into the International Underwriting Agreement relating to the International Offering.

Underwriting Arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 29 June 2019 until 12:00 noon on Friday, 5 July 2019 from:

(i) the following address of the Hong Kong Underwriters:

BOCI Asia Limited	26th Floor, Bank of China Tower 1 Garden Road Hong Kong
AMTD Global Markets Limited	23/F – 25/F, Nexxus Building 41 Connaught Road Central Hong Kong
China Industrial Securities International Capital Limited	7/F, Three Exchange Square 8 Connaught Place Central Hong Kong
Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47-49, G/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon
	Olympian City Branch	Shop 133, 1/F, Olympian City 2, 18 Hoi Ting Road, Kowloon
New Territories	City One Sha Tin Branch	Shop Nos. 24-25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, Sha Tin, New Territories

District	Branch Name	Address
	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun, New Territories
	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Saturday, 29 June 2019 until 12:00 noon on Friday, 5 July 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – IVD MEDICAL HOLDING PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Saturday, 29 June 2019	**–**	**9:00 a.m. to 1:00 p.m.**
Tuesday, 2 July 2019	**–**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 3 July 2019	**–**	**9:00 a.m. to 5:00 p.m.**
Thursday, 4 July 2019	**–**	**9:00 a.m. to 5:00 p.m.**
Friday, 5 July 2019	**–**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 5 July 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Cayman Companies Law and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, the Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) and are not a U.S. person (as defined in Regulation S);

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the**HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9.00 a.m. on Saturday, 29 June 2019 until 11:30 a.m. on Friday, 5 July 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 5 July 2019 or such later time under "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Saturday, 29 June 2019	**–**	**9:00 a.m. to 1:00 p.m.**
Tuesday, 2 July 2019	**–**	**8:00 a.m. to 8:30 p.m.**
Wednesday, 3 July 2019	**–**	**8:00 a.m. to 8:30 p.m.**
Thursday, 4 July 2019	**–**	**8:00 a.m. to 8:30 p.m.**
Friday, 5 July 2019	**–**	**8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Saturday, 29 June 2019 until 12:00 noon on Friday, 5 July 2019 (24 hours daily, except on Friday, 5 July 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 5 July 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the**HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 5 July 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to section headed "Structure and Conditions of the Global Offering – Determining the Offer Price".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 July 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 5 July 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 11 July 2019 on our Company's website at **www.ivdholding.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.ivdholding.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., on Thursday, 11 July 2019;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/iporesult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 11 July 2019 to 12:00 midnight on Wednesday, 17 July 2019;

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 10:00 p.m. from Thursday, 11 July 2019 to Tuesday, 16 July 2019 (excluding Saturday, Sunday and Public Holiday);

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 11 July 2019 to Monday, 15 July 2019 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details, please refer to "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$3.68 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 11 July 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque(s), if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or before Thursday, 11 July 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 12 July 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 11 July 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 11 July 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 11 July 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 11 July 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., Thursday, 11 July 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 11 July 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 11 July 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 11 July 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 11 July 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 July 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 11 July 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 11 July 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

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

The Directors
IVD Medical Holding Limited
BOCI Asia Limited

Dear Sirs,

We report on the historical financial information of IVD Medical Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-62, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2016, 2017 and 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 June 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2016, 2017 and 2018 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 9 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
29 June 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*4*	290,441	338,268	413,635
Cost of sales		(206,543)	(230,054)	(296,964)
GROSS PROFIT		83,898	108,214	116,671
Other income and gains	*5*	5,166	5,512	5,946
Selling and distribution expenses		(11,683)	(10,305)	(11,631)
Administrative expenses		(44,554)	(47,624)	(67,230)
Other expenses		(878)	(263)	(328)
Finance costs	*6*	(98)	–	–
Share of profits of associates		34,376	69,923	76,529
(Impairment)/reversal of impairment of trade receivables	*18*	(167)	2,863	(2,335)
PROFIT BEFORE TAX	*7*	66,060	128,320	117,622
Income tax expense	*8*	(8,894)	(15,724)	(18,114)
PROFIT FOR THE YEAR		57,166	112,596	99,508
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations		(4,361)	9,168	(7,209)
Share of other comprehensive loss of an associate		(620)	(272)	(465)
		(4,981)	8,896	(7,674)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the Company's financial statements		12,363	(15,049)	11,278
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		7,382	(6,153)	3,604
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		64,548	106,443	103,112
Profit/(loss) attributable to:				
Owners of the parent		56,268	110,735	103,440
Non-controlling interests		898	1,861	(3,932)
		57,166	112,596	99,508
Total comprehensive income/(loss) attributable to:				
Owners of the parent		63,851	104,196	107,532
Non-controlling interests		697	2,247	(4,420)
		64,548	106,443	103,112
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	*12*	1.84	2.12	1.98

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	37,503	41,872	41,815
Goodwill	14	6,639	6,639	6,639
Other intangible assets	15	30,574	29,314	28,054
Investments in associates	16	475,264	533,658	595,326
Deferred tax assets	24	1,122	550	1,639
Total non-current assets		551,102	612,033	673,473
CURRENT ASSETS				
Inventories	17	37,247	47,838	51,408
Trade receivables	18	75,547	126,128	162,350
Prepayments and other receivables	19	23,559	14,659	14,316
Amounts due from associates	20	151	52,773	22,292
Amounts due from shareholders	20	120	896	837
Cash and cash equivalents	21	141,374	79,307	115,364
Total current assets		277,998	321,601	366,567
CURRENT LIABILITIES				
Trade payables	22	34,022	41,458	36,454
Other payables and accruals	23	14,094	14,449	12,377
Amounts due to shareholders	20	9,561	320	320
Tax payable		5,965	12,034	20,611
Total current liabilities		63,642	68,261	69,762
NET CURRENT ASSETS		214,356	253,340	296,805
TOTAL ASSETS LESS CURRENT LIABILITIES		765,458	865,373	970,278
NON-CURRENT LIABILITIES				
Deferred tax liabilities	24	11,079	12,758	14,551
Total non-current liabilities		11,079	12,758	14,551
Net assets		754,379	852,615	955,727
EQUITY				
Share capital	25	171	171	171
Reserves	26	744,786	840,775	948,307
		744,957	840,946	948,478
Non-controlling interests		9,422	11,669	7,249
Total equity		754,379	852,615	955,727

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent								
	Notes	**Share capital**	**Share premium**	**Merger reserve**	**Statutory reserve**	**Exchange reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016		–	–	15,362	–	(597)	9,591	24,356	44,398	68,754
Profit for the year		–	–	–	–	–	56,268	56,268	898	57,166
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	(4,160)	–	(4,160)	(201)	(4,361)
Share of other comprehensive loss of an associate		–	–	–	–	(620)	–	(620)	–	(620)
Exchange differences on translation of the Company's financial statements		–	–	–	–	12,363	–	12,363	–	12,363
Total comprehensive income for the year		–	–	–	–	7,583	56,268	63,851	697	64,548
Issue of shares	*25*	171	637,374	–	–	–	–	637,545	–	637,545
Acquisition of a subsidiary	*30*	–	–	–	–	–	–	–	10,945	10,945
Acquisition of non-controlling interests		–	–	2,055	–	–	–	2,055	(2,055)	–
Transfer from non-controlling interests upon the Reorganisation		–	–	43,283	–	–	–	43,283	(44,563)	(1,280)
Transfer from retained profits		–	–	–	1,000	–	(1,000)	–	–	–
Final 2015 dividend declared by a subsidiary		–	–	–	–	–	(26,133)	(26,133)	–	(26,133)
At 31 December 2016 and 1 January 2017		171	637,374*	60,700*	1,000*	6,986*	38,726*	744,957	9,422	754,379
At 31 December 2016 and 1 January 2017		171	637,374	60,700	1,000	6,986	38,726	744,957	9,422	754,379
Profit for the year		–	–	–	–	–	110,735	110,735	1,861	112,596
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	8,782	–	8,782	386	9,168
Share of other comprehensive loss of an associate		–	–	–	–	(272)	–	(272)	–	(272)
Exchange differences on translation of the Company's financial statements		–	–	–	–	(15,049)	–	(15,049)	–	(15,049)
Total comprehensive income for the year		–	–	–	–	(6,539)	110,735	104,196	2,247	106,443
Final 2016 dividend declared	*9*	–	–	–	–	–	(8,207)	(8,207)	–	(8,207)
At 31 December 2017 and 1 January 2018		171	637,374*	60,700*	1,000*	447*	141,254*	840,946	11,669	852,615

	Attributable to owners of the parent								
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017 and 1 January 2018	171	637,374	60,700	1,000	447	141,254	840,946	11,669	852,615
Profit for the year	–	–	–	–	–	103,440	103,440	(3,932)	99,508
Other comprehensive income/(loss) for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(6,721)	–	(6,721)	(488)	(7,209)
Share of other comprehensive loss of an associate	–	–	–	–	(465)	–	(465)	–	(465)
Exchange differences on translation of the Company	–	–	–	–	11,278	–	11,278	–	11,278
Total comprehensive income for the year	–	–	–	–	4,092	103,440	107,532	(4,420)	103,112
Transfer from retained profits	–	–	–	4,000	–	(4,000)	–	–	–
At 31 December 2018	171	637,374*	60,700*	5,000*	4,539*	240,694*	948,478	7,249	955,727

* These reserve accounts comprise the consolidated reserves of RMB744,786,000, RMB840,775,000, and RMB948,307,000 in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profits before tax		66,060	128,320	117,622
Adjustment for:				
Finance costs	*6*	98	–	–
Depreciation	*7*	10,327	13,396	16,486
Amortisation of other intangible assets	*7*	476	1,260	1,260
Loss on disposal of items of property, plant and equipment	*7*	–	201	3
Impairment of goodwill	*7*	300	–	–
Share of profits of associates		(34,376)	(69,923)	(76,529)
Interest income	*5*	(412)	(1,651)	(1,525)
		42,473	71,603	57,317
Increase in inventories		(20,710)	(10,591)	(3,570)
Increase in trade receivables		(7,608)	(50,581)	(36,222)
(Increase)/decrease in prepayments and other receivables		(10,351)	8,900	343
(Decrease)/increase in trade payables		(23,867)	7,436	(5,004)
Increase/(decrease) in other payables and accruals		7,685	355	(2,072)
Cash (used in)/generated from operations		(12,378)	27,122	10,792
Taxes paid		(11,141)	(7,405)	(8,833)
Net cash flows (used in)/from operating activities		(23,519)	19,717	1,959
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(22,373)	(18,046)	(16,439)
Proceeds from disposal of items of property, plant and equipment		–	80	7
Acquisition of subsidiaries	*30*	(2,065)	–	–
Acquisition of associates		(22,666)	–	–
Contribution to an investment in an associate		(3,048)	–	–
Advance to associates		(151)	(52,773)	(22,292)
Repayment from associates		–	151	52,773
Interest received		412	1,651	1,525
Dividend received from an associate	*16*	–	11,257	14,396
Net cash flows (used in)/from investing activities		(49,891)	(57,680)	29,970
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		210,565	–	–
Repayment of bank loans	*31*	(3,500)	–	–
Advance from shareholders	*31*	23,563	275	235
Repayment to shareholders	*31*	–	(10,292)	(176)
Dividend paid		(26,133)	(8,207)	–
Interest paid		(98)	–	–
Net cash flows from/(used in) financing activities		204,397	(18,224)	59
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		130,987	(56,187)	31,988
Cash and cash equivalents at beginning of year		12,621	141,374	79,307
Effect of foreign exchange rate changes, net		(2,234)	(5,880)	4,069
CASH AND CASH EQUIVALENTS AT END OF YEAR		141,374	79,307	115,364
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		141,374	79,307	115,364

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investments in subsidiaries	*29*	63,153	63,153	63,153
Investment in an associate	*16*	430,823	430,823	430,823
Total non-current assets		493,976	493,976	493,976
CURRENT ASSETS				
Amounts due from subsidiaries	*29*	130,360	194,536	175,009
Amount due from a shareholder	*20*	374	348	–
Cash and cash equivalents	*21*	84,447	8,038	36,136
Total current assets		215,181	202,922	211,145
CURRENT LIABILITIES				
Other payables	*23*	969	682	872
Amount due to a shareholder	*20*	11	–	–
Total current liabilities		980	682	872
NET CURRENT ASSETS		214,201	202,240	210,273
Net assets		708,177	696,216	704,249
EQUITY				
Share capital	*25*	171	171	171
Reserves	*26*	708,006	696,045	704,078
Total equity		708,177	696,216	704,249

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in the sale and manufacture of medical equipment and consumables.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

No statutory financial statements have been prepared for the Company as it is newly incorporated and has not involved in any significant business transactions since the date of its incorporation other than the Reorganisation.

In the opinion of the directors, the immediate shareholders of the Company are KS & KL Investment Co. Limited ("KS & KL"), King Sun Limited ("King Sun"), Lucan Investment Limited ("Lucan Investment"), Huatuo International Development Co. Limited ("Huatuo") and North Haven Private Equity Asia IVD Company Limited ("NHPE").

As at the date of this report, the 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/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
IVD International Limited[(1)] ("IVD International")	Hong Kong 29 January 2016	HK$10,000	100	–	Investment holding
IVD China Limited[(1)] ("IVD China")	Hong Kong 19 October 2009	HK$24,051,250	75	–	Sale of medical equipment and consumables
Digital Images Diagnostic (China) Limited[(1)] ("Digital HK")	Hong Kong 5 June 2009	HK$2	–	75	Sale of medical equipment and consumables
Dacheng Medical Equipments (Shanghai) Co., Ltd.*[(2)] ("Dacheng") 達承醫療設備(上海)有限公司	People's Republic of China ("PRC")/ Mainland China 21 February 2011	RMB50,000,000	–	100	Sale of medical equipment and consumables
IVD Medical Equipments (Shanghai) Co., Ltd*[(3)] ("IVD (Shanghai)") 艾維德醫療器械(上海)有限公司	PRC/ Mainland China 6 July 2010	USD3,000,000	–	75	Sale of medical equipment and consumables

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Suzhou DiagVita Biotechnology Co., Ltd.*(4) ("Suzhou DiagVita") 蘇州德沃生物技術有限公司	PRC/ Mainland China 15 July 2011	RMB20,046,519	–	38**	Manufacture and sale of medical equipment and consumables
Digital Images Diagnostic Medical Equipment (Shanghai) Co., Ltd.*(5) ("Digital China") 華圖醫療器械(上海)有限公司	PRC/ Mainland China 3 September 2009	USD200,000	–	75	Sale of medical equipment and consumables

* The English names of the companies represent the best effort made by the management of the Company to directly translate the Chinese names of the companies as they have not registered any official English names.

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

Notes:

(1) The statutory financial statements of IVD International, IVD China and Digital HK for the years ended 31 December 2016, 2017 and 2018 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Ernst & Young, certified public accountants registered in Hong Kong.

(2) Dacheng is registered as a cooperative joint venture enterprise under PRC law. The statutory financial statements for the years ended 31 December 2016, 2017 and 2018 prepared under the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by 上海新滬會計師事務所有限公司, certified public accountants registered in the PRC.

(3) IVD (Shanghai) is registered as a wholly-foreign-owned enterprise under PRC law. The statutory financial statements for the years ended 31 December 2016, 2017 and 2018 prepared under the PRC GAAP were audited by 上海弘益會計師事務所有限公司, certified public accountants registered in the PRC.

(4) Suzhou DiagVita is registered as a cooperative joint venture enterprise under PRC law. The statutory financial statements for the years ended 31 December 2016, 2017 and 2018 prepared under the PRC GAAP were audited by 蘇州俊成會計師事務所有限公司, certified public accountants registered in the PRC.

(5) Digital China is registered as a wholly-foreign-owned enterprise under PRC law. The statutory financial statements for the years ended 31 December 2016, 2017 and 2018 prepared under the PRC GAAP were audited by 上海事誠會計師事務所有限公司, certified public accountants registered in the PRC.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 27 May 2016. The companies now comprising the Group were under the common control of Mr. Ho Kuk Sing ("**Mr. Ho**") and Mr. Leung King Sun ("**Mr. Leung**"), the controlling shareholders, before and after the Reorganisation:

a) Mr. Ho and Mr. Leung entered into an acting in concert agreement dated 19 October 2009 and 21 February 2011 to record their intention to consolidate their interests and operate IVD China and Dacheng, respectively, on a collective basis in connection with major issues concerning the management of and exercise of voting rights;

b) Mr. Ho and Mr. Leung exercised common control over Dacheng before the Reorganisation took place, given Mr. Ho and Mr. Leung held in aggregate of 36% equity interest in Dacheng and effectively controlled the voting right of the remaining 64% equity interest held by Mr. Lin Xianya ("**Mr. Lin**") in Dacheng pursuant to the shareholding entrustment agreement dated 21 February 2011 and signed between Mr. Ho, Mr. Leung and Mr. Lin; and

c) Mr. Ho and Mr. Leung exercised common control over IVD China before the Reorganisation took place, given Mr. Ho and Mr. Leung held in aggregate of 76.84% equity interest in IVD China.

Accordingly, for the purpose of the Prospectus, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from 1 January 2018, including IFRS 9 *Financial Instruments* ("IFRS 9"), IFRS 15 *Revenue from Contracts with Customers* and related amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* ("IFRS 15"), have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods. The Group has assessed the effects of adoption of IFRS 9 and IFRS 15 on the Historical Financial Information and it considered that the adoption did not have a significant impact on its financial position and financial performance as compared to IAS 39 and IAS 18.

The Historical Financial Information has been prepared under the historical cost convention.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for the reporting period. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the beginning of the Relevant Periods, the date on which the Group obtains control, or the date on which a subsidiary was incorporated, whichever is the later and continue to be consolidated until the date that such control ceases.

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. Further information about those IFRSs that are expected to be applicable to the Group is described below:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group is currently considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As disclosed in note 27 to the Historical Financial Information, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB7,418,000. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB7,232,000 and lease liability of RMB7,524,000 will be recognised at 1 January 2019. The management of the Group do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial position and financial performance in future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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.

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

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

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Service equipment	20%
Plant and machinery	20% – 33.3%
Office equipment	20% – 33.3%
Motor vehicles	20%

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.

Patents

Patents acquired in a business combination are stated at fair value at the date of acquisition less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 to 20 years.

Research costs

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

Leases

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified as financial assets at amortised cost (debt instrument).

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortised cost includes trade receivables, financial assets included in prepayments and other receivables, amounts due from associates, amounts due from shareholders and cash and cash equivalents.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, other payables and accruals and amounts due to shareholders.

Subsequent measurement

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

Sales of goods

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

Other income

Consultancy and maintenance service income is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

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

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

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

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

Payments to state-managed retirement benefit schemes in jurisdictions other than the PRC are charged as expenses when employees have rendered service entitling them to the contributions.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

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

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into RMB at the weighted average exchange rates for the year.

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

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

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

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Write-down of inventories to net realisable value

Management reviews the condition of inventories of the Group and writes down the carrying amounts of obsolete and slow-moving inventories items which are identified as no longer suitable for sale or use to their respective net realisable values. The Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of the reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made. The carrying amounts of inventories at 31 December 2016, 2017 and 2018 were RMB37,247,000, RMB47,838,000 and RMB51,408,000, respectively.

Provision for expected credit losses on trade receivables

The 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 (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the Historical Financial Information.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016, 2017 and 2018 was RMB6,639,000. Further details are given in note 14 to the Historical Financial Information.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the sale and manufacture of medical equipment and consumables. 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

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	290,026	338,046	413,474
Others	415	222	161
	290,441	338,268	413,635

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

(b) Non-current assets

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	82,330	84,847	83,239
Others	467,650	526,636	588,595
	549,980	611,483	671,834

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

Information about major customers

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

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Customer A	76,990	85,557	97,696
Customer B	58,760	50,833	55,003

4. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Sales of trading goods	283,096	319,382	408,440
Sales of manufactured goods	7,345	18,886	5,195
	290,441	338,268	413,635

Revenue from contracts with customers

(i) Disaggregated revenue information

	2016	2017	2018
Types of goods			
Sales of medical equipment	16,191	25,328	41,457
Sales of medical consumables	274,250	312,940	372,178
Total revenue from contracts with customers	290,441	338,268	413,635
Types of customers			
Sales to hospitals and healthcare institutions	141,863	159,827	202,714
Sales to logistics providers	87,759	71,011	84,012
Sales to distributors	60,819	107,430	126,909
Total revenue from contracts with customers	290,441	338,268	413,635
Timing of revenue recognition			
Goods transferred at a point in time	290,441	338,268	413,635

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

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:			
Sales of goods	760	1,565	764

(ii) ***Performance obligations***

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

Sales of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 120 days from delivery, except for new customers, where payment in advance is normally required.

No performance obligations were unsatisfied or partially unsatisfied as at the end of the Relevant Periods.

5. OTHER INCOME AND GAINS

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	412	568	169
Other interest income	–	1,083	1,356
Service income	781	1,856	3,314
Rental income	–	444	295
Government subsidies*	3,921	832	422
Others	52	48	156
	5,166	4,831	5,712
Gains			
Foreign exchange differences, net	–	681	234
	5,166	5,512	5,946

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	98	–	–

7. PROFIT BEFORE TAX

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

		Year ended 31 December		
	Notes	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold		206,543	230,054	296,964
Depreciation	*13*	10,327	13,396	16,486
Amortisation of other intangible assets	*15*	476	1,260	1,260
Research and development costs		117	597	716
Minimum lease payments under operating leases		3,568	4,272	4,422
Auditors' remuneration		1,258	970	966
Employee benefit expense (including directors' and chief executive's remuneration *(note 10)*):				
Wages and salaries		14,763	20,452	19,245
Pension scheme contributions		4,747	5,622	3,267
		19,510	26,074	22,512
Impairment of goodwill	*14*	300	–	–
Impairment/(reversal of impairment) of trade receivables	*18*	167	(2,863)	2,335
Impairment of inventories		6	25	12
Loss on disposal of items of property, plant and equipment		–	201	3
Foreign exchange differences, net		494	(681)	(234)

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods. Tax on profits assessable in the Mainland China has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the Relevant Periods.

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current – China			
Charge for the year	9,228	13,473	17,410
Deferred *(note 24)*	(334)	2,251	704
	8,894	15,724	18,114

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rates, are as follows:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Profit before tax	66,060		128,320		117,622	
Tax at the statutory tax rate	16,515		32,080		29,406	
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	17		1,992		2,108	
Profits and losses attributable to associates	(8,594)		(17,481)		(19,132)	
Income not subject to tax	–		(214)		(193)	
Expense not deductible for tax	789		167		3,327	
Tax losses utilised from previous periods	(587)		(1,018)		(25)	
Tax losses not recognised	1,476		273		2,790	
Others	(722)		(75)		(167)	
Tax charge at the Group's effective rate	8,894	13.5	15,724	12.3	18,114	15.4

9. DIVIDEND

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Dividend declared to the shareholders of the Company			
Final 2016 dividend declared – HK$0.181 per ordinary share	–	8,207	–

10. DIRECTORS' AND THE CHIEF EXECUTIVE'S REMUNERATION

Directors' and the chief executive's remuneration

Mr. Ho Kuk Sing, Mr. Leung King Sun and Mr. Lin Xianya were appointed as executive directors of the Company on 27 May 2016, 27 May 2016 and 15 January 2016, respectively. Mr. Chan Kwok King, Kingsley, Mr. Chen Xingang and Mr. Yang Zhaoxu were appointed as non-executive directors of the Company on 21 June 2016, 21 June 2016 and 25 January 2019, respectively. Mr. Lau Siu Ki, Dr. Zhong Renqian and Mr. Leung Ka Sing were appointed as independent non-executive directors of the Company on 21 June 2019.

Certain of the directors received remuneration from subsidiaries now comprising the Group for their appointment as directors of the subsidiaries. No directors received remuneration from the Company. The remuneration of each of these directors recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Fees	123	250	243
Other emoluments:			
Salaries, allowances and benefits in kind	1,395	1,515	1,263
Pension scheme contributions	42	46	44
	1,437	1,561	1,307
	1,560	1,811	1,550

Independent non-executive directors

There were no fees or other emoluments paid or payable to the independent non-executive directors of the Company during the Relevant Periods.

Executive directors and the chief executive

The remuneration of the executive directors and the chief executive for each of the Relevant Periods is set out below:

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016				
Executive directors:				
Mr. Ho Kuk Sing*	–	–	–	–
Mr. Leung King Sun	–	–	–	–
Mr. Lin Xianya	123	1,395	42	1,560
	123	1,395	42	1,560
Year ended 31 December 2017				
Executive directors:				
Mr. Ho Kuk Sing*	–	–	–	–
Mr. Leung King Sun	–	–	–	–
Mr. Lin Xianya	250	1,515	46	1,811
	250	1,515	46	1,811
Year ended 31 December 2018				
Executive directors:				
Mr. Ho Kuk Sing*	–	–	–	–
Mr. Leung King Sun	–	–	–	–
Mr. Lin Xianya	243	1,263	44	1,550
	243	1,263	44	1,550

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

Non-executive directors

There were no fees or other emoluments paid or payable to the non-executive directors of the Company during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included 1 director, details of whose remuneration are set out in note 10 above. Details of the remuneration for the Relevant Periods of the remaining 4 highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	3,733	3,801	3,989
Pension scheme contributions	169	183	174
	3,902	3,984	4,163

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

	Number of employees		
	Year ended 31 December		
	2016	**2017**	**2018**
Nil to HK$1,000,000	–	–	–
HK$1,000,001 to HK$1,500,000	4	4	3
HK$1,500,001 to HK$2,000,000	–	–	1
	4	4	4

During the Relevant Periods, no remuneration was paid by the Group to any of these non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group, or as a compensation for loss of office.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 30,629,531, 52,239,658 and 52,239,658 in issue during years ended 31 December 2016, 2017 and 2018 respectively.

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods. The calculations of basic earnings per share are based on:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Earnings			
Profit attributable to ordinary equity holders of the parent	56,268	110,735	103,440
Shares			
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	30,629,531	52,239,658	52,239,658

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Service equipment	**Plant and machinery**	**Office equipment**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016, net of accumulated depreciation	19,528	115	306	2,508	22,457
Acquisition of subsidiaries *(note 30)*	–	2,890	90	20	3,000
Additions	20,659	1,324	390	–	22,373
Depreciation provided during the year	(8,794)	(716)	(214)	(603)	(10,327)
At 31 December 2016 and 1 January 2017, net of accumulated depreciation	31,393	3,613	572	1,925	37,503
Additions	15,974	1,198	382	492	18,046
Depreciation provided during the year	(11,058)	(1,451)	(314)	(573)	(13,396)
Disposals/write-off	(278)	(1)	(2)	–	(281)
At 31 December 2017 and 1 January 2018, net of accumulated depreciation	36,031	3,359	638	1,844	41,872
Additions	11,950	3,421	522	546	16,439
Depreciation provided during the year	(12,269)	(3,228)	(493)	(496)	(16,486)
Disposals/write-off	–	–	(10)	–	(10)
At 31 December 2018, net of accumulated depreciation	35,712	3,552	657	1,894	41,815

	Service equipment	Plant and machinery	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016:					
Cost	37,323	153	874	3,758	42,108
Accumulated depreciation	(17,795)	(38)	(568)	(1,250)	(19,651)
Net carrying amount	19,528	115	306	2,508	22,457
At 31 December 2016:					
Cost	57,982	4,367	1,354	3,778	67,481
Accumulated depreciation	(26,589)	(754)	(782)	(1,853)	(29,978)
Net carrying amount	31,393	3,613	572	1,925	37,503
At 31 December 2017:					
Cost	73,640	5,559	1,713	4,270	85,182
Accumulated depreciation	(37,609)	(2,200)	(1,075)	(2,426)	(43,310)
Net carrying amount	36,031	3,359	638	1,844	41,872
At 31 December 2018:					
Cost	85,590	8,980	2,201	4,816	101,587
Accumulated depreciation	(49,878)	(5,428)	(1,544)	(2,922)	(59,772)
Net carrying amount	35,712	3,552	657	1,894	41,815

14. GOODWILL

Group

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Net carrying amount at beginning of the year	–	6,639	6,639
Acquisition of subsidiaries *(note 30)*	6,939	–	–
Impairment during the year	(300)	–	–
Net carrying amount at end of the year	6,639	6,639	6,639
Cost	6,939	6,939	6,939
Accumulated impairment	(300)	(300)	(300)
Net carrying amount	6,639	6,639	6,639

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to cash-generating unit of Suzhou DiagVita ("DiagVita CGU") and cash-generating unit of the group comprising Digital HK and Digital China ("DID CGU") for impairment testing.

DiagVita CGU

The recoverable amount of DiagVita CGU has 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 rates applied to the cash flow projections were 16.9%, 16.0% and 15.8% at 31 December 2016, 2017 and 2018, respectively. The growth rate used to extrapolate the cash flows of DiagVita CGU within five-year period was from 15% to 80% at 31 December 2016, 2017 and 2018. The growth rate used to extrapolate the cash flows of DiagVita CGU beyond the five-year period was 3.0% at 31 December 2016, 2017 and 2018. This growth rate is benchmarked to comparable listed companies in the medical equipment and consumables industry. Goodwill of RMB6,639,000 has been recognised for the step acquisition of Suzhou DiagVita on 15 August 2016.

DID CGU

The recoverable amount of DID CGU has 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 rates applied to the cash flow projections were 16.9%, 16.0% and 15.8% at 31 December 2016, 2017 and 2018, respectively. The growth rate used to extrapolate the cash flows of DID CGU within the five-year period was 10% at 31 December 2016, 2017 and 2018. The growth rate used to extrapolate the cash flows of DID CGU beyond the five-year period was 3.0% at 31 December 2016, 2017 and 2018. This growth rate is benchmarked to comparable listed companies in the medical equipment and consumables industry. Goodwill of RMB300,000 has been recognised for the acquisition of Digital HK and its subsidiary, Digital China on 1 May 2016.

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

Forecasted growth rates – The forecasted growth rates are based on industry forecasts.

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

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of the medical equipment and consumables industry and discount rates are consistent with external information sources.

In the opinion of the Company's directors, the estimated recoverable amount of the DiagVita CGU exceeded its carrying amount by approximately RMB21,351,000, RMB95,183,000 and RMB3,604,000 as at 31 December 2016, 2017 and 2018, respectively. A decrease in the growth rate by 5% to 8% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately RMB47,000 to RMB3,469,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

During the year ended 31 December 2016, the Group recognised an impairment loss of RMB300,000 related to goodwill arising on DID CGU due to a decrease in sales revenue for the year ended 31 December 2016 as compared to the budget and the expected future cashflows also decreased. As a result, the difference of the recoverable amount, which is the value-in-use, and the carrying amount (comprising goodwill) is recognised as an impairment loss and charged to profit or loss. The carrying amount of goodwill was fully impaired and had a balance of nil as at 31 December 2016, 2017 and 2018.

15. OTHER INTANGIBLE ASSETS

Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Patents			
Cost, net of accumulated amortisation at beginning of the year	–	30,574	29,314
Acquisition of a subsidiary *(note 30)*	31,050	–	–
Amortisation provided during the year	(476)	(1,260)	(1,260)
Cost, net of accumulated amortisation at end of the year	30,574	29,314	28,054
Cost	31,050	31,050	31,050
Accumulated amortisation	(476)	(1,736)	(2,996)
Net carrying amount	30,574	29,314	28,054

During the Relevant Periods, the estimated useful lives of patents were 10 to 20 years.

Pursuant to the Patent Law of the People's Republic of China (the "**Patent Law**"), the duration of patent right for inventions shall be 20 years, the duration of patent right for utility models and patent right for designs shall be 10 years, counted from the date of filing. During the Relevant Periods, the Group held six invention patents and four utility model patents.

In the opinion of the Company's directors, according to the assessment on the life cycle relevant to the inventions, certain inventions can generate economic benefits within the useful life up to 20 years.

16. INVESTMENTS IN ASSOCIATES

Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	335,307	393,701	455,369
Goodwill on acquisition	139,957	139,957	139,957
	475,264	533,658	595,326

Particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Vastec Medical Limited ("Vastec")	Ordinary shares	Hong Kong	40	Sale of medical equipment and consumables
Vastec Medical Equipment (Shanghai) Co., Ltd.* ("Vastec (Shanghai)") 威士達醫療設備(上海)有限公司	Ordinary shares	PRC/ Mainland China	40	Sale of medical equipment and consumables, and provision of consultancy and maintenance services related to medical equipment

* The English name of the company represents the best effort made by management of the Company to directly translate the Chinese name of the company as it has not registered any official English name.

On 27 May 2016, the Company acquired a 40% interest in Vastec from Mr. Ho and Mr. Leung. Vastec is engaged in the sale of medical equipment and consumables. The acquisition was made as part of the Reorganisation. The purchase considerations for the acquisition was satisfied by 23,481,006 shares of the Company allotted by the Company of which the acquisition date fair value amounted to RMB430,823,000 on 27 May 2016.

The Group's shareholdings in Vastec and its wholly-owned subsidiaries, Vastec (Shanghai) (together, the "Vastec Group"), comprise equity shares held by the Company.

The Vastec Group, which is considered as a material associate of the Group, is a strategic partner of the Group engaged in the sale of medical equipment and consumables and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of the Vastec Group, adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current assets	875,998	1,054,973	1,070,919
Non-current assets, excluding goodwill	444,804	446,305	443,333
Current liabilities	(397,538)	(424,384)	(274,482)
Non-current liabilities	(90,883)	(99,250)	(107,117)
Net assets	832,381	977,644	1,132,653
Net assets of the associate, net of inter-company eliminations	827,736	975,201	1,130,100

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation to the Group's interest in the associate:			
Proportion of the Group's ownership	40%	40%	40%
Group's share of net assets of the associate, excluding goodwill	331,094	390,080	452,040
Goodwill on acquisition	136,556	136,556	136,556
Carrying amount of the investment	467,650	526,636	588,596
Revenue	1,380,870	1,595,626	1,852,514
Profit for the year	138,824	174,082	192,161
Other comprehensive income/(loss)	793	(679)	(1,164)
Total comprehensive income for the year	139,617	173,403	190,997
Dividend received	–	11,257	14,396

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

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Share of the associate's loss for the year	(100)	(592)	(291)
Share of the associate's total comprehensive loss	(100)	(592)	(291)
Aggregate carrying amount of the Group's investment in the associate	7,614	7,022	6,730

Company

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	430,823	430,823	430,823

17. INVENTORIES

Group

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	789	1,204	2,212
Work in progress	150	–	–
Finished goods	36,308	46,634	49,196
	37,247	47,838	51,408

18. TRADE RECEIVABLES

Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	79,362	127,019	165,089
Impairment	(3,815)	(891)	(2,739)
	75,547	126,128	162,350

The Group's trading terms with its customers are mainly on credit. The credit period is generally 120 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. There is a certain concentration of credit risk. The total trade receivables from the five largest debtors at 31 December 2016, 2017 and 2018 represented 56.0%, 48.1% and 51.2% of total trade receivables, respectively, while 16.5%, 25.5% and 16.8% of the total trade receivables were due from the largest debtors, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2016, 2017 and 2018, included in the Group's trade receivables were trade balances with the Group's associate of RMB51,000, RMB2,299,000 and RMB69,000, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

The ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	31,319	101,739	149,732
1 to 2 months	23,172	6,714	3,408
2 to 3 months	7,947	2,397	2,941
Over 3 months	13,109	15,278	6,269
	75,547	126,128	162,350

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

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	3,657	3,815	891
Impairment/(reversal of impairment) of trade receivables *(note 7)*	167	(2,863)	2,335
Amounts written off as uncollectible	(9)	(61)	(487)
At end of year	3,815	891	2,739

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

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

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
31 December 2016					
Expected credit loss rate	2.2%	23.5%	31.4%	37.1%	
Gross carrying amount (RMB'000)	72,343	1,865	1,689	3,465	79,362
Expected credit losses (RMB'000)	1,560	439	531	1,285	3,815
31 December 2017					
Expected credit loss rate	0.1%	1.2%	4.8%	8.9%	
Gross carrying amount (RMB'000)	114,770	2,256	3,307	6,686	127,019
Expected credit losses (RMB'000)	107	28	160	596	891
31 December 2018					
Expected credit loss rate	0.3%	5.5%	9.6%	14.4%	
Gross carrying amount (RMB'000)	141,195	8,538	6,348	9,008	165,089
Expected credit losses (RMB'000)	367	466	608	1,298	2,739

19. PREPAYMENTS AND OTHER RECEIVABLES

Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	21,933	13,289	12,664
Deposits and other receivables	1,626	1,370	1,652
	23,559	14,659	14,316

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default and the expected credit losses are considered minimal.

20. AMOUNTS DUE FROM/TO ASSOCIATES AND SHAREHOLDERS

Group

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

		As at 1 January 2016	Maximum amount outstanding during the prior year	As at 31 December 2016	Maximum amount outstanding during the year	As at 31 December 2017	Maximum amount outstanding during the year	As at 31 December 2018	Security/ collateral
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from associates									
Vastec									
– other receivables	*(a)*	–	–	–	–	–	14,395	–	–
– loans	*(b)*	–	–	–	52,758	52,758	52,758	21,812	–
Hunan Brahms Biotech Co., Ltd. ("Hunan Brahms")	*(a)*	–	151	151	151	15	480	480	–
		–		151		52,773		22,292	
Due from shareholders									
Mr. Lin	*(a)*	15,072	15,072	120	976	548	1,072	523	–
Mr. Ho	*(a)*	–	–	–	348	348	348	314	–
		15,072		120		896		837	
Due to shareholders									
Mr. Lin	*(a)*	–		11		–		–	–
Mr. Ho	*(a)*	150		5,150		–		–	–
Mr. Leung	*(a)*	800		4,400		–		–	–
Shinva Medical Instrument Co., Ltd ("Shinva")	*(a)*	–		–		320		320	–
		950		9,561		320		320	

* Shinva is the ultimate holding company of the Huatuo, a shareholder of the Company.

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

(b) The loan to an associate, Vastec was non-trade nature, unsecured, bore an interest rate of 3.43% and 3.97% per annum for the year ended 31 December 2017 and 2018, respectively, and is repayable on demand.

Company

The balances with an associate and shareholders are non-trade nature, unsecured, non-interest-bearing and repayable on demand.

21. CASH AND CASH EQUIVALENTS

Group

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

As at 31 December 2016, 2017 and 2018, the Group's cash and bank balances denominated in RMB amounted to RMB53,728,000, RMB66,211,000 and RMB86,010,000, respectively. The RMB is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Company

The cash and cash equivalents of the Company are denominated in HK$, RMB and US$.

22. TRADE PAYABLES

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

Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	26,236	33,517	36,087
1 to 2 months	7,079	6,943	293
2 to 3 months	6	410	–
Over 3 months	701	588	74
	34,022	41,458	36,454

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

As at 31 December 2016, 2017 and 2018, included in the trade payables were trade balances with an associate of RMB19,345,000, RMB23,552,000 and RMB21,454,000, respectively, which are repayable within 60 days, representing credit terms similar to those offered by the associate to its major customers.

23. OTHER PAYABLES AND ACCRUALS

Group

		As at 31 December		
		2016	**2017**	**2018**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	*(i)*	1,565	764	1,080
Other payables	*(ii)*	3,986	5,983	3,070
Accruals		5,560	6,093	7,040
Deferred income		2,983	1,609	1,187
		14,094	14,449	12,377

Notes:

(i) Details of contract liabilities as at 1 January 2016, 31 December 2016, 2017 and 2018 are as follows:

	1 January 2016	31 December 2016	31 December 2017	31 December 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term advances received from customers				
Sales of goods	760	1,565	764	1,080

Contract liabilities include short-term advances received to deliver goods. The increase in contract liabilities from 1 January 2016 to 31 December 2016 and 2018 was mainly due to the increase in short-term advances received from customers in relation to the sales of equipment and consumables at 31 December 2016 and 2018. The decrease in contract liabilities from 31 December 2016 to 31 December 2017 was mainly due to the decrease in short-term advances received from customers in relation to the sales of equipment and consumables at 31 December 2017.

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

Company

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Other payables	969	682	872

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

24. DEFERRED TAX

Group

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

Deferred tax assets

	Impairment of trade receivables	Unrealised gains resulting from intra group transactions	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	890	–	890
Deferred tax credited to profit or loss during the year *(note 8)*	49	183	232
At 31 December 2016 and 1 January 2017	939	183	1,122
Deferred tax (charged)/credited to profit or loss during the year *(note 8)*	(740)	168	(572)
At 31 December 2017 and 1 January 2018	199	351	550
Deferred tax credited to profit or loss during the year *(note 8)*	416	673	1,089
At 31 December 2018	615	1,024	1,639

Deferred tax liabilities

	Withholding taxes	Fair value gains arising from business combination	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	3,419	–	3,419
Acquisition of a subsidiary *(note 30)*	–	7,762	7,762
Deferred tax charged/(credited) to profit or loss during the year *(note 8)*	17	(119)	(102)
At 31 December 2016 and 1 January 2017	3,436	7,643	11,079
Deferred tax charged/(credited) to profit or loss during the year *(note 8)*	1,994	(315)	1,679
At 31 December 2017 and 1 January 2018	5,430	7,328	12,758
Deferred tax charged/(credited) to profit or loss during the year *(note 8)*	2,107	(314)	1,793
At 31 December 2018	7,537	7,014	14,551

As at 31 December 2016, 2017 and 2018, the Group had tax losses arising in Hong Kong of RMB962,700, RMB1,421,000 and RMB1,320,000 that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, respectively. The Group also had tax losses arising in the PRC of RMB37,889,000, RMB34,453,000 and RMB45,612,000 that will expire in one to five years for offsetting against future taxable profits as at 31 December 2016, 2017 and 2018, respectively. Deferred tax assets have not been recognised in respect of these losses as they have arisen from subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

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

25. SHARE CAPITAL

The Company is a limited liability company incorporated in the Cayman Islands on 15 January 2016.

The authorised and issued share capital of the Company was US$50,000 and US$26,120, respectively, divided into 100,000,000 and 52,239,658 shares of US$0.0005 each, respectively.

	As at 31 December 2016, 2017 and 2018	
	US$	*Equivalent to RMB*
Issued and fully paid:		
52,239,658 ordinary shares of US$0.0005 each	26,120	171,120

During the years ended 31 December 2016, 2017 and 2018, the movements in the Company's share capital are as follows:

(i) On 15 January 2016, 1 ordinary share of US$0.0005 was allotted and issued to Sertus Nominees (Cayman) Limited ("Sertus"), the Company's initial subscriber, and subsequently, Sertus transferred the 1 ordinary share to Lucan Investment.

(ii) On 27 May 2016, 16,141,207, 16,141,207 and 9,528,988 ordinary shares of US$0.0005 each were allotted and issued to KS&KL, King Sun and Lucan Investment, respectively.

(iii) On 21 June 2016, 2,592,306 and 7,835,949 ordinary shares of US$0.0005 each were allotted and issued to Huatuo and NHPE, respectively. On the same date, each of KS&KL and King Sun transferred 1,296,154 ordinary shares to Huatuo.

(iv) No movement in the Company's share capital was noted during the year ended 31 December 2017 and 2018.

26. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity from pages I-7 to I-8.

(a) Share premium

The Group's share premium represents the difference between the par value of the shares issued and the consideration received. Details of the movements in the share premium are set out in the consolidated statements of changes in equity.

(b) Merger reserve

The Group's merger reserve represents the nominal value of the shares of subsidiaries and acquisition of non-controlling interests pursuant to the Reorganisation as set out in note 2.1 to the Historical Financial Information.

(c) Statutory reserve

In accordance with the Company Law of the PRC, the Company's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

(d) Exchange reserve

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

Company

	Notes	Share premium	Exchange reserve	Retained profits	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016		–	–	–	–
Loss for the year		–	–	(5,637)	(5,637)
Other comprehensive income for the year:					
Exchange differences on translation of the Company's financial statements		–	12,362	–	12,362
Total comprehensive income for the year		–	12,362	(5,637)	6,725
Issue of shares	*25*	701,281	–	–	701,281
At 31 December 2016 and 1 January 2017		701,281	12,362	(5,637)	708,006
Profit for the year		–	–	11,293	11,293
Other comprehensive loss for the year:					
Exchange differences on translation of the Company's financial statements		–	(15,047)	–	(15,047)
Total comprehensive income for the year		–	(15,047)	11,293	(3,754)
Final 2016 Dividend paid	*9*	–	–	(8,207)	(8,207)
At 31 December 2017		701,281	(2,685)	(2,551)	696,045
At 31 December 2017 and 1 January 2018		701,281	(2,685)	(2,551)	696,045
Loss for the year		–	–	(3,245)	(3,245)
Other comprehensive income for the year:					
Exchange differences on translation of the Company's financial statements		–	11,278	–	11,278
Total comprehensive income for the year		–	11,278	(3,245)	8,033
At 31 December 2018		701,281	8,593	(5,796)	704,078

27. OPERATING LEASE ARRANGEMENTS

Group

As lessee

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

As at the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	3,474	2,842	2,475
In the second to fifth years, inclusive	882	2,104	4,943
	4,356	4,946	7,418

Company

As at the end of each of the Relevant Periods, the Company had no future lease payments under non-cancellable operating leases.

28. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the Relevant Periods:

		Year ended 31 December		
	Notes	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
Sales of products:				
Vastec (Shanghai)	*(i)*	4	2,158	1,670
Vastec	*(i)*	250	–	–
Purchases of products:				
Vastec (Shanghai)	*(ii)*	103,810	94,014	116,631
Hunan Brahms	*(ii)*	967	813	576
Service income:				
Vastec (Shanghai)	*(iii)*	–	374	8
Service expenses:				
Vastec (Shanghai)	*(iii)*	262	9	8
Vastec	*(iii)*	21	68	61
Rental expenses:				
Mr. Lin	*(iv)*	1,541	1,650	1,815
Loan interest income:				
Vastec	*(v)*	–	1,083	1,356

Notes:

(i) The sales to associates were made according to the prices and conditions mutually agreed by the Group and the associates.

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

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

(iv) The rental expenses paid were based on the market rates.

(v) The loan interest income was calculated at an effective interest rates of 3.43%, 3.43% and 3.97% of the principal per annum for the year ended 31 December 2016, 2017 and 2018, respectively.

(b) Balances with related parties:

Details of the Group's amounts due from/to associates and shareholders as at the end of each of the Relevant Periods are included in note 20 to the Historical Financial Information.

Details of the Group's trade receivables and payables due from/to an associate as at the end of each of the Relevant Periods are included in notes 18 and 22 to the Historical Financial Information.

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

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Short term employee benefits	5,128	5,316	5,495
Post-employment benefits	212	229	218
Total compensation paid to key management personnel	5,340	5,545	5,713

Further details of directors' and the chief executive's emoluments are included in note 10 to the Historical Financial Information.

29. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	63,153	63,153	63,153

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of subsidiaries are disclosed in note 1 to the Historical Financial Information.

30. BUSINESS COMBINATIONS

(a) Acquisition of Digital HK and its subsidiary, Digital China (together, the "DID Group")

On 1 May 2016 (the "DID Acquisition Date"), the Group acquired a 100% interest in DID Group from an independent third party. DID Group is engaged in the sale of medical equipment and consumables. The acquisition was made as part of the Group's strategy to expand its market share of medical equipment and consumables in the PRC. The purchase consideration for the acquisition was in the form of cash and an amount of HK$2,487,230 (equivalent to RMB2,076,000) was paid on 15 August 2016.

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

	Notes	**Fair value recognised on acquisition**
		RMB'000
Property, plant and equipment	*13*	980
Trade and other receivables		1,476
Cash and bank balances		1,125
Trade and other payables		(1,805)
Total identifiable net assets at fair value		1,776
Goodwill on acquisition	*14*	300
Satisfied by cash		2,076

The fair value of the trade and other receivables as at the date of acquisition amounted to RMB1,476,000. The gross contractual amount of trade and other receivables was RMB1,476,000.

No transaction cost was incurred for this acquisition.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000
Cash consideration	(2,076)
Cash and bank balances acquired	1,125
Net outflow of cash and cash equivalents included in cash flows from investing activities	(951)

Since the acquisition, DID Group contributed RMB4,177,000 to the Group's revenue and RMB419,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year ended 31 December 2016, the revenue of the Group and the profit of the Group for the year would have been RMB291,523,000 and RMB57,112,000, respectively.

(b) Step acquisition of Suzhou DiagVita

On 12 May 2016, the Group acquired a 45% interest in Suzhou DiagVita from an independent third party. Suzhou DiagVita is engaged in the sale of medical equipment and consumables. The acquisition was made as part of the Group's strategy to expand its market share of medical equipment and consumables in the PRC. The purchase considerations for the acquisition were in the form of cash and an amount of RMB18,000,000 was paid on 27 June 2016 and Suzhou DiagVita became an associate of the Group.

On 15 August 2016, the Group further acquired a 6% interest in Suzhou DiagVita from an independent third party. The purchase considerations for the acquisition were in the form of cash and an amount of RMB3,000,000 was paid on 17 August 2016 and Suzhou DiagVita became a subsidiary of the Group thereafter. The results of Suzhou DiagVita is consolidated into the Group's consolidated financial statements upon the completion of acquisition on 15 August 2016 (the "DiagVita Step Acquisition Date").

Details of the carrying value and fair value of the Group's previously held interest in Suzhou DiagVita at the DiagVita Step Acquisition Date are summarised as follows:

	RMB'000
Carrying value of previously held interest in Suzhou DiagVita	17,880
Less: Fair value of previously held interest in Suzhou DiagVita	(15,031)
Loss on remeasurement	2,849

The fair values of the identifiable assets and liabilities of Suzhou DiagVita as at the DiagVita Step Acquisition Date were as follows:

	Notes	**Fair value recognised on acquisition**
		RMB'000
Property, plant and equipment	*13*	2,020
Intangible assets	*15*	31,050
Inventories		761
Other receivables		1,734
Cash and bank balances		1,886
Trade and other payables		(7,352)
Deferred tax liabilities	*24*	(7,762)
Total identifiable net assets at fair value		22,337
Non-controlling interests		(10,945)
Goodwill on acquisition	*14*	6,639
		18,031
Satisfied by:		
Cash		3,000
Fair value of previously held interest in Suzhou DiagVita		15,031
		18,031

The fair values of other receivables as at the date of acquisition amounted to RMB1,734,000. The gross contractual amount of other receivables was RMB1,734,000.

No transaction cost was incurred for this acquisition.

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Cash consideration	(3,000)
Cash and bank balances acquired	1,886
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,114)

Since the acquisition, Suzhou DiagVita contributed RMB1,348,000 to the Group's revenue and RMB1,825,000 to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year ended 31 December 2016, the revenue of the Group and the profit of the Group for the year would have been RMB293,618,000 and RMB54,965,000, respectively.

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Amounts due from shareholders	Amounts due to shareholders	Interest-bearing bank borrowings
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2016	(15,072)	950	3,500
Changes from financing cash flows	14,952	8,611	(3,500)
As at 31 December 2016	(120)	9,561	–
Changes from financing cash flows	(776)	(9,241)	–
As at 31 December 2017	(896)	320	–
Changes from financing cash flows	59	–	–
As at 31 December 2018	(837)	320	–

32. 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:

Group

Financial assets

	Financial assets at amortised cost		
	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	75,547	126,128	162,350
Financial assets included in prepayments and other receivables	1,091	1,370	1,141
Amounts due from associates	151	52,773	22,292
Amounts due from shareholders	120	896	837
Cash and cash equivalents	141,374	79,307	115,364
	218,283	260,474	301,984

Financial liabilities

	Financial liabilities at amortised cost		
	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	34,022	41,458	36,454
Financial liabilities included in other payables and accruals	9,248	7,131	8,682
Amounts due to shareholders	9,561	320	320
	52,831	48,909	45,456

Company

Financial assets

	Financial assets at amortised cost		
	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from subsidiaries	130,360	194,536	175,009
Amount due from an associate	–	–	–
Amount due from a shareholder	374	348	–
Cash and cash equivalents	84,447	8,038	36,136
	215,181	202,922	211,145

Financial liabilities

	Financial liabilities at amortised cost		
	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities included in other payables	969	682	872
Amount due to a shareholder	11	–	–
	980	682	872

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

The Group did not have any financial assets and financial liabilities measured at fair value as at the end of each of the Relevant Periods.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables, other receivables, trade payables and other payables, which arise directly from its operations.

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

Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on cash and cash equivalents).

Group

	Increase/ (decrease) in basis points	Increase/(decrease) in profit before tax		
		Year ended 31 December		
		2016	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
RMB	100	537	662	860
HK$	100	32	78	96
EUR	100	–	–	11
US$	100	845	53	254
RMB	(100)	(537)	(662)	(860)
HK$	(100)	(32)	(78)	(96)
EUR	(100)	–	–	(11)
US$	(100)	(845)	(53)	(254)

Company

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax		
		Year ended 31 December		
		2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
RMB	100	1	28	181
HK$	100	25	17	9
US$	100	818	35	221
RMB	(100)	(1)	(28)	(181)
HK$	(100)	(25)	(17)	(9)
US$	(100)	(818)	(35)	(221)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from bank deposits held by operating units in currencies other than the units' functional currencies. For the years ended 31 December 2016, 2017 and 2018, approximately 62.0%, 16.5% and 29.6% of the Group's cash and cash equivalents were denominated in currencies other than the functional currency of the operating units, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax.

Group

	Increase/(decrease) in foreign currency rate	Increase/(decrease) in profit before tax		
		Year ended 31 December		
		2016	2017	2018
	%	*RMB'000*	*RMB'000*	*RMB'000*
If RMB weakens against HK$	1	32	79	96
If RMB strengthens against HK$	(1)	(32)	(79)	(96)
If RMB weakens against EUR	1	–	–	11
If RMB strengthens against EUR	(1)	–	–	(11)
If RMB weakens against US$	1	845	53	254
If RMB strengthens against US$	(1)	(845)	(53)	(254)

	Increase/ (decrease) in foreign currency rate	Increase/(decrease) in equity* Year ended 31 December 2016	2017	2018
	%	*RMB'000*	*RMB'000*	*RMB'000*
If RMB weakens against HK$	1	260	239	257
If RMB strengthens against HK$	(1)	(260)	(239)	(257)

Company

	Increase/ (decrease) in foreign currency rate	Increase/(decrease) in profit before tax Year ended 31 December 2016	2017	2018
	%	*RMB'000*	*RMB'000*	*RMB'000*
If RMB weakens against HK$	1	25	17	9
If RMB strengthens against HK$	(1)	(25)	(17)	(9)
If RMB weakens against US$	1	818	35	221
If RMB strengthens against US$	(1)	(818)	(35)	(221)

	Increase/ (decrease) in foreign currency rate	Increase/(decrease) in equity* Year ended 31 December 2016	2017	2018
	%	*RMB'000*	*RMB'000*	*RMB'000*
If RMB weakens against HK$	1	7	8	7
If RMB strengthens against HK$	(1)	(7)	(8)	(7)

* Excluding retained profits

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.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2016, 2017 and 2018. The amounts presented are gross carrying amounts for the financial assets.

Group

As at 31 December 2016

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	79,362	79,362
Financial assets included in prepayments and other receivables**					
– Normal	1,091	–	–	–	1,091
Amounts due from shareholders**					
– Normal	120	–	–	–	120
Amounts due from associates**					
– Normal	151	–	–	–	151
Cash and cash equivalents					
– Not yet past due	141,374	–	–	–	141,374
	142,736	–	–	79,362	222,098

As at 31 December 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	127,019	127,019
Financial assets included in prepayments and other receivables**					
– Normal	1,370	–	–	–	1,370
Amounts due from associates**					
– Normal	52,773	–	–	–	52,773
Amounts due from shareholders**					
– Normal	896	–	–	–	896
Cash and cash equivalents					
– Not yet past due	79,307	–	–	–	79,307
	134,346	–	–	127,019	261,365

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	165,089	165,089
Financial assets included in prepayments and other receivables**					
– Normal	1,141	–	–	–	1,141
Amounts due from associates**					
– Normal	22,292	–	–	–	22,292
Amounts due from shareholders**					
– Normal	837	–	–	–	837
Cash and cash equivalents					
– Not yet past due	115,364	–	–	–	115,364
	139,634	–	–	165,089	304,723

Company

As at 31 December 2016

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from subsidiaries**					
– Normal	130,360	–	–	–	130,360
Amounts due from a shareholder**					
– Normal	374	–	–	–	374
Cash and cash equivalents					
– Not yet past due	84,447	–	–	–	84,447
	215,181	–	–	–	215,181

As at 31 December 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from subsidiaries**					
– Normal	194,536	–	–	–	194,536
Amounts due from a shareholder**					
– Normal	348	–	–	–	348
Cash and cash equivalents					
– Not yet past due	8,038	–	–	–	8,038
	202,922	–	–	–	202,922

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from subsidiaries**					
– Normal	175,009	–	–	–	175,009
Cash and cash equivalents					
– Not yet past due	36,136	–	–	–	36,136
	211,145	–	–	–	211,145

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the Historical Financial Information.

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

Liquidity risk

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

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

Group

	On demand	No later than 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2016			
Trade payables	–	34,022	34,022
Other payables and accruals	–	9,248	9,248
Amounts due to shareholders	9,561	–	9,561
	9,561	43,270	52,831
As at 31 December 2017			
Trade payables	–	41,458	41,458
Other payables and accruals	–	7,131	7,131
Amounts due to shareholders	320	–	320
	320	48,589	48,909
As at 31 December 2018			
Trade payables	–	36,454	36,454
Other payables and accruals	–	8,682	8,682
Amounts due to shareholders	320	–	320
	320	45,136	45,456

Company

	On demand	No later than 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2016			
Other payables	–	969	969
Amount due to a shareholder	11	–	11
	11	969	980
As at 31 December 2017			
Other payables	–	682	682
As at 31 December 2018			
Other payables	–	872	872

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt represents amounts due to shareholders. The gearing ratios as at the end of each of the Relevant Periods were as follows:

Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Total debt	9,561	320	320
Total equity	754,379	852,615	955,727
Gearing ratio	1.3%	–	–

35. EVENTS AFTER THE RELEVANT PERIODS

On 25 January 2019, the Company entered into an equity transfer agreement with Huatuo to acquire the remaining 60% equity interest of Vastec at a consideration of approximately RMB411 million in cash by instalment and 32,339,139 newly allotted shares of the Company (i.e. representing 38.2% of the enlarged equity interests of the Company as at 25 January 2019). The acquisition was completed on 25 January 2019 and Vastec became a wholly owned subsidiary of the Company after the acquisition. Details of the financial information of Vastec for the Relevant Periods are set out in Appendix II in the Prospectus.

Because the acquisition of Vastec was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details of the acquisition.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

安永

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

The Directors
IVD Medical Holding Limited
BOCI Asia Limited

Dear Sirs,

We report on the historical financial information of Vastec Medical Limited ("Vastec") and its subsidiaries (together, the "Vastec Group") set out on pages II-4 to II-57, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Vastec Group for each of the years ended 31 December 2016, 2017 and 2018 (the "Relevant Periods"), and the consolidated statements of financial position of the Vastec Group and the statements of financial position of Vastec as at 31 December 2016, 2017 and 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-57 forms an integral part of this report, which has been prepared for inclusion in the prospectus of IVD Medical Holding Limited ("IVD Holding") dated 29 June 2019 (the "Prospectus") in connection with the initial listing of the shares of IVD Holding on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of Vastec are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Vastec Group and Vastec as at 31 December 2016, 2017 and 2018 and of the financial performance and cash flows of the Vastec Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 9 to the Historical Financial Information which contains information about the dividends paid by Vastec in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
29 June 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Vastec Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*4*	1,380,870	1,595,626	1,852,514
Cost of sales		(1,050,586)	(1,235,209)	(1,484,574)
GROSS PROFIT		330,284	360,417	367,940
Other income and gains	*5*	9,076	5,891	27,273
Selling and distribution expenses		(103,838)	(80,178)	(80,971)
Administrative expenses		(29,710)	(32,821)	(37,495)
Other expenses		(5,500)	(2,868)	(4,841)
Finance costs	*6*	(7,254)	(7,732)	(6,633)
Share of loss of an associate		(462)	(259)	(344)
Reversal of (impairment) of trade receivables	*16*	480	(1,652)	874
PROFIT BEFORE TAX	*7*	193,076	240,798	265,803
Income tax expense	*8*	(54,252)	(66,718)	(73,642)
PROFIT FOR THE YEAR		138,824	174,080	192,161
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:				
Share of other comprehensive (loss)/income of an associate		(25)	47	–
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of Vastec's financial statements		818	(726)	(1,164)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		793	(679)	(1,164)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		139,617	173,401	190,997
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	*12*	13,882	17,408	19,216

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	21,449	21,733	20,599
Investment in an associate	*14*	101	344	–
Deferred tax assets	*23*	1,481	2,454	960
Total non-current assets		23,031	24,531	21,559
CURRENT ASSETS				
Inventories	*15*	422,796	473,590	525,823
Trade and bills receivables	*16*	107,052	137,828	190,908
Prepayments and other receivables	*17*	177,446	219,641	192,667
Tax recoverable		169	–	–
Pledged deposits	*18*	26,012	17,378	12,109
Cash and cash equivalents	*18*	156,790	220,802	163,678
Total current assets		890,265	1,069,239	1,085,185
CURRENT LIABILITIES				
Trade payables	*19*	141,344	119,690	87,446
Other payables and accruals	*20*	100,698	115,288	87,889
Amounts due to shareholders	*21*	351	–	–
Amount due to a related party	*21*	–	52,758	21,812
Interest-bearing bank borrowings	*22*	130,000	100,000	40,000
Tax payable		25,145	36,648	37,336
Total current liabilities		397,538	424,384	274,483
NET CURRENT ASSETS		492,727	644,855	810,702
TOTAL ASSETS LESS CURRENT LIABILITIES		515,758	669,386	832,261
NON-CURRENT LIABILITIES				
Deferred tax liabilities	*23*	23,642	32,012	39,879
Total non-current liabilities		23,642	32,012	39,879
Net assets		492,116	637,374	792,382
EQUITY				
Share capital	*24*	9	9	9
Reserves	*25*	492,107	637,365	792,373
Total equity		492,116	637,374	792,382

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	**Share capital**	**Statutory reserve**	**Exchange reserve**	**Retained profits**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016		9	1,254	(1,014)	387,141	387,390
Profit for the year		–	–	–	138,824	138,824
Other comprehensive income for the year:						
Exchange differences on translation of Vastec's financial statements		–	–	818	–	818
Share of other comprehensive loss of an associate		–	–	(25)	–	(25)
Total comprehensive income for the year		–	–	793	138,824	139,617
Final 2015 dividend declared	*9*	–	–	–	(34,891)	(34,891)
At 31 December 2016 and 1 January 2017		9	1,254*	(221)*	491,074*	492,116
Profit for the year		–	–	–	174,080	174,080
Other comprehensive loss for the year:						
Exchange differences on translation of Vastec's financial statements		–	–	(726)	–	(726)
Share of other comprehensive income of an associate		–	–	47	–	47
Total comprehensive income for the year		–	–	(679)	174,080	173,401
Final 2016 dividend declared	*9*	–	–	–	(28,143)	(28,143)
At 31 December 2017 and 1 January 2018		9	1,254*	(900)*	637,011*	637,374
Profit for the year		–	–	–	192,161	192,161
Other comprehensive loss for the year:						
Exchange differences on translation of Vastec's financial statements		–	–	(1,164)	–	(1,164)
Total comprehensive income for the year		–	–	(1,164)	192,161	190,997
Final 2017 dividend declared	*9*	–	–	–	(35,989)	(35,989)
At 31 December 2018		9	1,254*	(2,064)*	793,183*	792,382

* These reserve accounts comprise the consolidated reserves of RMB492,107,000, RMB637,365,000 and RMB792,373,000 in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		193,076	240,798	265,803
Adjustments for:				
Finance costs	*6*	7,254	7,732	6,633
Depreciation	*7*	8,492	7,514	7,064
(Gain)/loss on disposal of items of property, plant and equipment	*7*	(295)	185	(1,210)
Share of loss of an associate		462	259	344
Interest income	*5*	(272)	(536)	(1,059)
		208,717	255,952	277,575
Increase in inventories		(172,235)	(58,782)	(59,675)
Increase in trade and bills receivables		(21,303)	(31,397)	(54,909)
(Increase)/decrease in prepayments and other receivables		(72,059)	(42,195)	26,974
Increase/(decrease) in trade payables		89,091	(25,172)	(32,244)
(Decrease)/increase in other payables and accruals		(2,516)	17,756	(27,397)
Cash generated from operations		29,695	116,162	130,324
Taxes paid		(43,121)	(47,648)	(63,591)
Net cash flows (used in)/from operating activities		(13,426)	68,514	66,733
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(1,773)	(351)	(721)
Contribution to an investment in an associate		(250)	(502)	–
Proceeds from disposal of items of property, plant and equipment		381	711	3,452
Decrease in pledged deposits		4,433	8,634	5,269
Interest received		272	536	1,059
Net cash flows from investing activities		3,063	9,028	9,059
CASH FLOWS FROM FINANCING ACTIVITIES				
Advance from a related party	*29*	–	53,760	–
Repayment to a related party	*29*	–	–	(30,946)
New bank loan	*29*	130,000	200,000	400,000
Repayment of bank loans	*29*	(60,000)	(230,000)	(460,000)
Dividends paid		(34,891)	(28,143)	(35,989)
Interest paid		(7,254)	(7,732)	(6,633)
Net cash flows from/(used in) financing activities		27,855	(12,115)	(133,568)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		17,492	65,427	(57,776)
Cash and cash equivalents at beginning of year		138,194	156,790	220,802
Effect of foreign exchange rate changes, net		1,104	(1,415)	652
CASH AND CASH EQUIVALENTS AT END OF YEAR		156,790	220,802	163,678
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	*18*	156,790	220,802	163,678

STATEMENTS OF FINANCIAL POSITION OF VASTEC

	Notes	As at 31 December		
		2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	289	137	23
Investment in a subsidiary	*28*	2,483	2,483	2,483
Investment in an associate		626	1,080	–
Deferred tax assets	*23*	70	40	116
Total non-current assets		3,468	3,740	2,622
CURRENT ASSETS				
Inventories	*15*	2,023	1,131	1,996
Trade receivables	*16*	9,784	5,160	5,073
Other receivables	*17*	448	1,315	614
Tax recoverable		169	–	–
Amount due from a subsidiary	*28*	71,586	169,406	116,302
Pledged deposits	*18*	26,012	17,378	12,109
Cash and cash equivalents	*18*	17,449	18,937	6,839
Total current assets		127,471	213,327	142,933
CURRENT LIABILITIES				
Trade payables	*19*	32,974	88,618	41,045
Other payables and accruals	*20*	47,467	44,733	45,915
Amounts due to shareholders	*21*	351	–	–
Amount due to a related party	*21*	–	52,758	21,812
Tax payable		–	92	953
Total current liabilities		80,792	186,201	109,725
NET CURRENT ASSETS		46,679	27,126	33,208
TOTAL ASSETS LESS CURRENT LIABILITIES		50,147	30,866	35,830
NON-CURRENT LIABILITIES				
Deferred tax liabilities	*23*	30	10	–
Total non-current liabilities		30	10	–
Net assets		50,117	30,856	35,830
EQUITY				
Share capital	*24*	9	9	9
Reserves	*25*	50,108	30,847	35,821
Total equity		50,117	30,856	35,830

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Vastec is a limited liability company incorporated in Hong Kong. The registered office of Vastec is located at Room 1703, Grandtech Centre, 8 On Ping Street, Shatin, N.T., Hong Kong.

During the Relevant Periods, Vastec and its subsidiary were principally engaged in the sale of medical equipment and consumables and provision of consultancy and maintenance services related to medical equipment.

In the opinion of the directors, the immediate holding company of Vastec is Huatuo.

As at the date of this report, Vastec had direct interests in its subsidiary, which is a private limited liability company, the particulars of which are set out below:

Name	Place and date of establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to Vastec		Principal activities
			Direct	Indirect	
			%	%	
Vastec Medical Equipment (Shanghai) Co., Ltd.*(1) ("Vastec (Shanghai)") 威士達醫療設備(上海)有限公司	People's Republic of China (the "PRC")/ Mainland China, 3 January 2000	USD300,000	100	–	Sale of medical equipment and consumables, and provision of consultancy and maintenance services related to medical equipment

* The English name of the company represents the best effort made by the management of Vastec to directly translate the Chinese name of the company as the company has not registered any official English name.

Note:

(1) Vastec (Shanghai) is registered as a wholly-foreign-owned enterprise under PRC law. The statutory financial statements for the years ended 31 December 2016 and 2017 prepared under the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by上會會計師事務所, certified public accountants registered in the PRC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from 1 January 2018, including IFRS 9 *Financial Instruments* ("IFRS 9"), IFRS 15 *Revenue from Contracts with Customers* and related amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* ("IFRS 15"), have been early adopted by the Vastec Group in the preparation of the Historical Financial Information throughout the Relevant Periods. The Vastec Group has assessed the effects of adoption of IFRS 9 and IFRS 15 on the Historical Financial Information and it considered that the adoption did not have a significant impact on its financial position and financial performance as compared to IAS 39 and IAS 18.

The Historical Financial Information has been prepared under the historical cost convention.

Basis of consolidation

The Historical Financial Information includes the financial information of Vastec and its subsidiary for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Vastec. Control is achieved when the Vastec 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 Vastec Group the current ability to direct the relevant activities of the investee).

When Vastec has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Vastec 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 Vastec Group's voting rights and potential voting rights.

The financial information of the subsidiary is prepared for the same reporting period as Vastec, using consistent accounting policies. The result of the subsidiary is consolidated from the beginning of the Relevant Periods, the date on which the Vastec Group obtains control, or the date on which a subsidiary was incorporated, whichever is the later 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 Vastec 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 Vastec Group are eliminated in full on consolidation.

The Vastec 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 Vastec Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Vastec 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 Vastec Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Vastec Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2021

[4] No mandatory effective date yet determined but available for adoption

The Vastec Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. Further information about those IFRSs that are expected to be applicable to the Vastec Group is described below:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Vastec Group will adopt IFRS 16 from 1 January 2019. The Vastec Group is currently considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. In addition, the Vastec Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Vastec Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Vastec Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As disclosed in note 26 to the Historical Financial Information, at 31 December 2018, the Vastec Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB26,466,000. During 2018, the Vastec Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Vastec Group has estimated that right-of-use assets of RMB25,369,000 and lease liability of RMB26,413,000 will be recognised at 1 January 2019. The management of the Vastec Group do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Vastec Group's financial position and financial performance in future.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Vastec Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Vastec Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

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

The Vastec Group's investment in an associate is stated in the consolidated statement of financial position at the Vastec Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Vastec Group's share of the post-acquisition results and other comprehensive income of the associate is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Vastec Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Vastec Group and its associate are eliminated to the extent of the Vastec Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Vastec Group's investment in an associate.

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

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

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

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

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

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

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

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

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.

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

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

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

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

or

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

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

Property, plant and equipment and depreciation

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

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

Service equipment	20%
Fixtures and furniture	20%-33.3%
Office equipment	20%-33.3%
Motor vehicles	20%

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.

Leases

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Vastec 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.

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

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified as financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

The Vastec Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Vastec Group's financial assets at amortised cost includes trade and bills receivables, financial assets included in prepayments and other receivables, pledged deposits and cash and cash equivalents.

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 Vastec Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Vastec 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 Vastec Group has transferred substantially all the risks and rewards of the asset, or (b) the Vastec Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets

The Vastec Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Vastec 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 Vastec Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Vastec 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 Vastec Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Vastec Group may also consider a financial asset to be in default when internal or external information indicates that the Vastec Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Vastec Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

The Vastec Group's financial liabilities include trade payables, other payables and accruals, amounts due to shareholders and a related party and interest-bearing bank borrowings.

Subsequent measurement

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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

Income tax

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

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

(a) *Sales of goods*

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

(b) *Provision of consultancy and maintenance services*

Revenue from the provision of consultancy and 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 Vastec Group.

Other income

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Vastec Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Vastec Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Vastec Group performs under the contract.

Employee benefits

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

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

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Declared final dividends are disclosed in the notes to the Historical Financial Information.

Interim dividends are simultaneously proposed and declared, because Vastec'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

The Historical Financial Information is presented in RMB, while the functional currency of Vastec is Hong Kong dollars ("HK$"). As the major revenues and assets of the Vastec Group are derived from operations in the PRC, RMB is chosen as the presentation currency to present the Historical Financial Information. Each entity in the Vastec 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 Vastec Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Vastec 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 Vastec Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of Vastec is currency other than the RMB. As at the end of the reporting period, the assets and liabilities of Vastec are translated into RMB at the exchange rates prevailing at the end of the reporting period and its profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange differences on translation of Vastec's financial statements.

For the purpose of the consolidated statements of cash flows, the cash flows of Vastec are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Vastec which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Write-down of inventories to net realisable value

Management reviews the condition of inventories of the Vastec Group and writes down the carrying amounts of obsolete and slow-moving inventories items which are identified as no longer suitable for sale or use to their respective net realisable values. The Vastec Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of the reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made. The carrying amounts of inventories of the Vastec Group at 31 December 2016, 2017 and 2018 were RMB422,796,000, RMB473,590,000 and RMB525,823,000, respectively.

Provision for expected credit losses on trade receivables

The Vastec 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 (i.e., by customer type and rating).

The provision matrix is initially based on the Vastec Group's historical observed default rates. The Vastec Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates 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 Vastec Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Vastec Group's trade receivables is disclosed in note 16 to the Historical Financial Information.

3. OPERATING SEGMENT INFORMATION

The Vastec Group is principally engaged in the sale of medical equipment and consumables and provision of consultancy and maintenance services related to medical equipment. For the purpose of resource allocation and performance assessment, the Vastec Group's management focuses on the operating results of the Vastec Group. As such, the Vastec 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

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	1,364,649	1,579,538	1,841,052
Others	16,221	16,088	11,462
	1,380,870	1,595,626	1,852,514

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

(b) Non-current assets

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	21,261	21,940	20,576
Others	289	137	23
	21,550	22,077	20,599

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

Information about major customers

During the years ended 31 December 2016, 2017 and 2018, no revenue from any single customer accounted for 10% or more of the total revenue of the Vastec Group.

4. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Sales of trading goods	1,380,870	1,528,018	1,729,396
Provision of consultancy and maintenance services	–	67,608	123,118
	1,380,870	1,595,626	1,852,514

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Types of goods/services			
Sales of medical equipment	384,334	344,985	360,369
Sales of medical consumables	996,536	1,183,033	1,369,027
Provision of consultancy and maintenance services	–	67,608	123,118
Total revenue from contracts with customers	1,380,870	1,595,626	1,852,514
Types of customers			
Sales to distributors	1,347,589	1,496,517	1,688,587
Sales to hospitals	33,281	31,501	40,809
Sales to service customer	–	67,608	123,118
Total revenue from contracts with customers	1,380,870	1,595,626	1,852,514
Timing of revenue recognition			
Goods transferred at a point in time	1,380,870	1,528,018	1,729,396
Services transferred over time	–	67,608	123,118
Total revenue from contracts with customers	1,380,870	1,595,626	1,852,514

The following table shows the amounts of revenue recognised in each of the Relevant Periods that were included in the contract liabilities at the beginning of that period:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the period:			
Sales of goods	31,658	22,604	20,369

(ii) Performance obligations

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

Sales of trading goods

The performance obligation is satisfied upon delivery of goods and payment is generally due within 90 days from delivery.

Provision of consultancy and maintenance services

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

No performance obligations were unsatisfied or partially unsatisfied as at the end of each of the Relevant Periods.

5. OTHER INCOME AND GAINS

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Service income	2,459	–	–
Bank interest income	272	536	1,059
Government subsidies*	5,700	–	24,899
Others	350	242	105
	8,781	778	26,063
Gains			
Gain on disposal of property, plant and equipment	295	–	1,210
Foreign exchange differences, net	–	5,113	–
	9,076	5,891	27,273

* Government grants have been received from the PRC local government authorities as reimbursement of operating expense. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	5,572	4,915	3,543
Interest on amounts due to directors	1,682	1,734	1,734
Interest on an amount due to a related party	–	1,083	1,356
	7,254	7,732	6,633

7. PROFIT BEFORE TAX

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

		Year ended 31 December		
	Notes	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold		1,050,586	1,193,766	1,436,928
Cost of services provided		–	41,443	47,646
Depreciation	*13*	8,492	7,514	7,064
Minimum lease payments under operating leases		6,061	8,578	9,433
Auditors' remuneration		111	129	156
Employee benefit expense (including directors' and chief executive's remuneration *(note 10)*):				
Wages and salaries		48,096	54,430	55,784
Pension scheme contributions		8,784	9,781	11,612
		56,880	64,211	67,396
(Reversal of) impairment of trade receivables	*16*	(480)	1,652	(874)
Impairment of inventories		1,129	2,551	1,291
(Gain)/loss on disposal of items of property, plant and equipment		(295)	185	(1,210)
Foreign exchange differences, net		4,371	(5,113)	3,037

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 Relevant Periods. Tax on profits assessable in Mainland China has been calculated at the applicable PRC corporate income tax rate of 25% during the Relevant Periods.

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current – Mainland China			
Charge for the year	47,544	57,463	63,490
Current – Hong Kong			
Charge for the year	1,757	1,861	790
Deferred tax *(note 23)*	4,951	7,394	9,362
	54,252	66,718	73,642

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which Vastec and its subsidiary are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	193,076		240,798		265,803	
Tax at the statutory tax rate	48,269		60,200		66,451	
Effect of Hong Kong profits tax at 16.5%	(1,145)		(1,359)		(809)	
Effect of withholding tax at 5% on the distributable profits of the Vastec Group's PRC subsidiary	6,601		8,390		9,835	
Income not subject to tax	(262)		(543)		(3,450)	
Expense not deductible for tax	904		1,180		1,156	
Others	(115)		(1,150)		459	
Tax charge at the Vastec Group's effective rate	54,252	28.1	66,718	27.7	73,642	27.7

9. DIVIDENDS

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Dividends declared to the shareholders of Vastec:			
Final 2015 dividend declared – RMB3,489 per ordinary share	34,891	–	–
Final 2016 dividend declared – RMB2,814 per ordinary share	–	28,143	–
Final 2017 dividend declared – RMB3,599 per ordinary share	–	–	35,989
	34,891	28,143	35,989

10. DIRECTORS' AND THE CHIEF EXECUTIVE'S REMUNERATION

Directors' and the chief executive's remuneration

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

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	4,640	3,607	7,044
Pension scheme contributions	31	32	30
	4,671	3,639	7,074
	4,671	3,639	7,074

The remuneration of the directors and the chief executive for each of the Relevant Periods is set out below:

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016				
Mr. Ho Kuk Sing*	–	2,676	16	2,692
Mr. Leung King Sun	–	1,964	15	1,979
Mr. Chen Xingang	–	–	–	–
Mr. Zhao Yixin	–	–	–	–
Mr. Xu Shangfeng	–	–	–	–
	–	4,640	31	4,671
Year ended 31 December 2017				
Mr. Ho Kuk Sing*	–	2,275	16	2,291
Mr. Leung King Sun	–	1,332	16	1,348
Mr. Chen Xingang	–	–	–	–
Mr. Zhao Yixin	–	–	–	–
Mr. Xu Shangfeng	–	–	–	–
	–	3,607	32	3,639
Year ended 31 December 2018				
Mr. Ho Kuk Sing*	–	4,728	15	4,743
Mr. Leung King Sun	–	2,316	15	2,331
Mr. Chen Xingang	–	–	–	–
Mr. Zhao Yixin[1]	–	–	–	–
Mr. Xu Shangfeng	–	–	–	–
Mr. Yang Zhaoxu[2]	–	–	–	–
	–	7,044	30	7,074

* Mr. Ho Kuk Sing is also the chief executive of Vastec.

1 Mr. Zhao Yixin resigned as the director with effect from 7 April 2018.

2 Mr. Yang Zhaoxu was appointed as the director with effect from 7 April 2018.

During the Relevant Periods, no remuneration was paid by the Vastec Group to any of these directors as an inducement to join or upon joining the Vastec Group, or as a compensation for loss of office. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2016, 2017 and 2018 included 2 directors, details of whose remuneration are set out in note 10 above. Details of the remuneration for the years ended 31 December 2016, 2017 and 2018 of the remaining 3 highest paid employees who are neither a director nor chief executive of Vastec are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,681	3,298	1,919
Pension scheme contributions	46	55	49
	1,727	3,353	1,968

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

	Number of employees		
	Year ended 31 December		
	2016	*2017*	*2018*
Nil to HK$1,000,000	3	2	3
HK$1,000,001 to HK$1,500,000	–	–	–
HK$1,500,001 to HK$2,000,000	–	1	–
	3	3	3

During the Relevant Periods, no remuneration was paid by the Vastec Group to any of these non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Vastec Group, or as a compensation for loss of office. There was no arrangement under which any of these non-director and non-chief executive highest paid employees waived or has agreed to waive any emoluments during the Relevant Periods.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 10,000 in issue during years ended 31 December 2016, 2017 and 2018.

The Vastec Group had no potentially dilutive ordinary shares in issue during the Relevant Periods. The calculations of basic earnings per share are based on:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Earnings			
Profit attributable to ordinary equity holders of the parent	138,824	174,080	192,161
Shares			
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	10,000	10,000	10,000

13. PROPERTY, PLANT AND EQUIPMENT

Vastec Group

	Service equipment	Fixtures and furniture	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016, net of accumulated depreciation	18,340	304	570	3,900	23,114
Additions	17,217	7	326	1,440	18,990
Depreciation provided during the year	(7,269)	(113)	(305)	(805)	(8,492)
Disposals/write-off	(12,098)	–	(3)	(83)	(12,184)
Exchange realignment	–	–	2	19	21
At 31 December 2016 and 1 January 2017, net of accumulated depreciation	16,190	198	590	4,471	21,449
Additions	15,514	20	331	–	15,865
Depreciation provided during the year	(6,422)	(71)	(311)	(710)	(7,514)
Disposals/write-off	(7,526)	(6)	(19)	(501)	(8,052)
Exchange realignment	–	–	(2)	(13)	(15)
At 31 December 2017 and 1 January 2018, net of accumulated depreciation	17,756	141	589	3,247	21,733
Additions	15,635	261	333	127	16,356
Depreciation provided during the year	(6,080)	(75)	(318)	(591)	(7,064)
Disposals/write-off	(8,192)	(5)	(45)	(2,192)	(10,434)
Exchange realignment	–	–	2	6	8
At 31 December 2018, net of accumulated depreciation	19,119	322	561	597	20,599
At 1 January 2016:					
Cost	30,673	1,130	2,858	9,490	44,151
Accumulated depreciation	(12,333)	(826)	(2,288)	(5,590)	(21,037)
Net carrying amount	18,340	304	570	3,900	23,114
At 31 December 2016:					
Cost	32,606	1,148	3,194	10,199	47,147
Accumulated depreciation	(16,416)	(950)	(2,604)	(5,728)	(25,698)
Net carrying amount	16,190	198	590	4,471	21,449
At 31 December 2017:					
Cost	38,631	1,126	3,280	8,743	51,780
Accumulated depreciation	(20,875)	(985)	(2,691)	(5,496)	(30,047)
Net carrying amount	17,756	141	589	3,247	21,733
At 31 December 2018:					
Cost	42,692	1,330	2,818	5,350	52,190
Accumulated depreciation	(23,573)	(1,008)	(2,257)	(4,753)	(31,591)
Net carrying amount	19,119	322	561	597	20,599

Vastec

	Fixtures and furniture	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016, net of accumulated depreciation	–	33	362	395
Additions	–	14	–	14
Depreciation provided during the year	–	(15)	(126)	(141)
Exchange realignment	–	2	19	21
At 31 December 2016 and 1 January 2017, net of accumulated depreciation	–	34	255	289
Additions	–	11	–	11
Depreciation provided during the year	–	(7)	(141)	(148)
Exchange realignment	–	(2)	(13)	(15)
At 31 December 2017 and 1 January 2018, net of accumulated depreciation	–	36	101	137
Depreciation provided during the year	–	(15)	(107)	(122)
Exchange realignment	–	2	6	8
At 31 December 2018, net of accumulated depreciation	–	23	–	23
At 1 January 2016:				
Cost	155	504	620	1,279
Accumulated depreciation	(155)	(471)	(258)	(884)
Net carrying amount	–	33	362	395
At 31 December 2016:				
Cost	165	553	664	1,382
Accumulated depreciation	(165)	(519)	(409)	(1,093)
Net carrying amount	–	34	255	289
At 31 December 2017:				
Cost	154	526	618	1,298
Accumulated depreciation	(154)	(490)	(517)	(1,161)
Net carrying amount	–	36	101	137
At 31 December 2018:				
Cost	154	526	618	1,298
Accumulated depreciation	(154)	(503)	(618)	(1,275)
Net carrying amount	–	23	–	23

14. INVESTMENT IN AN ASSOCIATE

Vastec Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	101	344	–

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Vastec Group	Principal activity
Alifax Diagnostics Co., Limited* ("Alifax") 阿利發診斷產品(上海)有限公司	Ordinary shares	PRC/ Mainland China	49	Sale of medical equipment and consumables

* The English name of the company represents the best effort made by the management of Vastec to directly translate the Chinese name of the company as the company has not registered any official English names.

On 27 April 2015, Vastec jointly incorporated Alifax with Alifax S.r.l. in which it holds 49% of the equity interest. Alifax is engaged in the sale of medical equipment and consumables.

The Vastec Group's shareholdings in Alifax comprise equity shares held by Vastec.

The following table illustrates the aggregate financial information of the Vastec Group's associate that is not individually material:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Share of the associate's loss and total comprehensive loss for the year	(462)	(259)	(344)
Carrying amount of the Vastec Group's investment in the associate	101	344	–

15. INVENTORIES

Vastec Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	422,796	473,590	525,823

Vastec

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	2,023	1,131	1,996

16. TRADE AND BILLS RECEIVABLES

Vastec Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	107,919	139,683	186,692
Impairment	(1,117)	(2,559)	(1,694)
	106,802	137,124	184,998
Bills receivable	250	704	5,910
	107,052	137,828	190,908

The Vastec 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 90 days, extending up to 120 days for major customers. The Vastec 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 Vastec Group's trade and bills receivables relate to a large number of customers, there is no significant concentration of credit risk. The Vastec Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

As at 31 December 2016, 2017 and 2018, included in the Vastec Group's trade and bills receivables were trade balances with a related party, Dacheng Medical Equipments (Shanghai) Co., Ltd. ("達承醫療設備(上海)有限公司", "Dacheng") of RMB19,268,000, RMB23,481,000 and RMB22,969,000, respectively, which are repayable on credit terms similar to those offered to the major customers of the Vastec Group.

As at 31 December 2016, 2017 and 2018, included in the Vastec Group's trade and bills receivables were trade balances with a related party, Digital Images Diagnostic (China) Limited ("Digital HK"), of RMB77,000, RMB71,000 and RMB55,000, respectively, which are repayable on credit terms similar to those offered to the major customers of the Vastec Group.

* Dacheng and Digital HK are subsidiaries of IVD Holding, which is a shareholder of Vastec.

The ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	62,138	108,399	138,916
1 to 2 months	17,838	4,934	3,201
2 to 3 months	8,437	3,678	2,582
Over 3 months	18,639	20,817	46,209
	107,052	137,828	190,908

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

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	1,638	1,117	2,559
(Reversal of) impairment losses *(note 7)*	(480)	1,652	(874)
Amounts written off as uncollectible	(72)	(187)	–
Exchange realignment	31	(23)	9
At end of year	1,117	2,559	1,694

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

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

	Current	Past due: Less than 1 month	Past due: 1 to 3 months	Past due: Over 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016					
Expected credit loss rate	0.0%	1.4%	2.1%	3.6%	
Gross carrying amount (RMB'000)	62,925	17,865	8,160	18,969	107,919
Expected credit losses (RMB'000)	17	246	171	683	1,117
31 December 2017					
Expected credit loss rate	0.1%	2.3%	4.9%	10.1%	
Gross carrying amount (RMB'000)	109,647	5,030	3,753	21,253	139,683
Expected credit losses (RMB'000)	103	115	184	2,157	2,559
31 December 2018					
Expected credit loss rate	0.1%	2.3%	5.1%	7.6%	
Gross carrying amount (RMB'000)	163,083	2,901	3,860	16,848	186,692
Expected credit losses (RMB'000)	156	67	196	1,275	1,694

None of the bills receivable is past due. There was no recent history of default and the expected credit losses are considered minimal.

Vastec

	As at 31 December 2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	10,209	5,403	5,280
Impairment	(425)	(243)	(207)
	9,784	5,160	5,073

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

	As at 31 December 2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	136	425	243
(Reversal of) impairment losses	262	(159)	(44)
Amounts written off as uncollectible	(4)	–	–
Exchange realignment	31	(23)	8
At end of year	425	243	207

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

		Past due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016					
Expected credit loss rate	0.0%	2.7%	3.6%	8.0%	
Gross carrying amount (RMB'000)	2,509	3,286	387	4,027	10,209
Expected credit loss (RMB'000)	1	88	14	322	425
31 December 2017					
Expected credit loss rate	0.0%	2.0%	2.5%	8.7%	
Gross carrying amount (RMB'000)	2,093	344	394	2,572	5,403
Expected credit loss (RMB'000)	1	7	10	225	243
31 December 2018					
Expected credit loss rate	0.0%	2.4%	2.7%	10.6%	
Gross carrying amount (RMB'000)	2,632	506	415	1,727	5,280
Expected credit loss (RMB'000)	1	12	11	183	207

None of the bills receivable is past due. There was no recent history of default and the expected credit losses are considered minimal.

17. PREPAYMENTS AND OTHER RECEIVABLES

Vastec Group

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	174,804	217,685	187,223
Deposits and other receivables	2,642	1,956	5,444
	177,446	219,641	192,667

Vastec

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Other receivables	448	1,315	614

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default and the expected credit losses are considered minimal.

18. CASH AND CASH EQUIVALENTS

Vastec Group

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	182,802	238,180	175,787
Less: Pledged deposits:			
– Pledged for bank facilities	(26,012)	(17,378)	(12,109)
	156,790	220,802	163,678

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

As at 31 December 2016, 2017 and 2018, the Vastec Group's cash and bank balances denominated in RMB amounted to RMB133,578,000, RMB194,142,000 and RMB153,621,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Vastec Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Vastec

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	43,461	36,315	18,948
Less: Pledged deposits:			
– Pledged for bank facilities	(26,012)	(17,378)	(12,109)
	17,449	18,937	6,839

The cash and cash equivalents of Vastec are denominated in RMB, HK$, EUR and US$.

19. TRADE PAYABLES

Vastec Group

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

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	22,282	34,465	37,228
1 to 2 months	22,147	84,510	406
2 to 3 months	95,852	662	40,600
Over 3 months	1,063	53	9,212
	141,344	119,690	87,446

Trade payables are non-interest-bearing and are normally settled on a term of 90 days.

As at 31 December 2016, 2017 and 2018, included in the trade payables were trade balances with a related party, IVD China Limited ("IVD China")* of RMB51,000, RMB48,000 and RMB52,000, respectively, which are repayable within 90 days, representing credit terms similar to those offered by the related party to its major customers.

As at 31 December 2017 and 2018, included in the trade payables were trade balances with a related party, Dacheng* of RMB2,251,000 and RMB17,000, respectively, which are repayable within 90 days, representing credit terms similar to those offered by the related party to its major customers. There is no balance with Dacheng in the Vastec Group's trade payables as at 31 December 2016.

* IVD China and Dacheng are subsidiaries of IVD Holding which is a shareholder of Vastec.

As at 31 December 2016, included in the trade payables was a trade balance with a shareholder, Shinva Medical Instrument Co., Ltd. ("山東新華醫療器械股份有限公司", "Shinva"), of RMB86,700,000, which is repayable within 90 days, representing credit terms similar to those offered by the shareholder to its major customers. There is no balance with Shinva in the Vastec Group's trade payables as at 31 December 2017 and 2018.

Vastec

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	32,974	88,618	41,045

20. OTHER PAYABLES AND ACCRUALS

Vastec Group

		As at 31 December		
	Notes	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	*(a)*	22,604	20,369	16,742
Other payables	*(b)*	14,225	28,447	8,769
Due to directors	*(c)*	43,810	40,644	42,836
Accruals		20,059	25,828	19,542
		100,698	115,288	87,889

Notes:

(a) Details of contract liabilities as at 1 January 2016, 31 December 2016, 2017 and 2018 are as follows:

	As at 1 January	As at 31 December		
	2016	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term advances received from customers				
Sales of goods	31,658	22,604	20,369	16,742

Contract liabilities include short-term advances received to deliver goods. The decrease in contract liabilities from 1 January 2016 to 31 December 2018 was mainly due to the decrease in short-term advances received from customers in relation to the sales of consumables and equipment at 31 December 2016, 2017 and 2018.

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

(c) The Vastec Group had an outstanding balance due to its director, Mr. Leung King Sun, of RMB21,931,000, RMB20,293,000 and RMB21,418,000 as at 31 December 2016, 2017 and 2018, respectively. This balance is non-trade nature, unsecured, bears interest at 4.2% per annum and is repayable on demand.

The Vastec Group had an outstanding balance due to its director, Mr. Ho Kuk Sing, of RMB21,879,000, RMB20,351,000 and RMB21,418,000 as at 31 December 2016, 2017 and 2018, respectively. This balance is non-trade nature, unsecured, bears interest at 4.2% per annum and is repayable on demand.

Vastec

		As at 31 December		
	Notes	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	*(a)*	1,267	114	262
Due to directors	*(b)*	43,810	40,644	42,836
Accruals		2,390	3,975	2,817
		47,467	44,733	45,915

Notes:

(a) Details of contract liabilities as at 1 January 2016, 31 December 2016, 2017 and 2018 are as follows:

	As at 1 January	As at 31 December		
	2016	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term advances received from customers				
Sales of goods	105	1,267	114	262

Contract liabilities include short-term advances received to deliver goods. The increase in contract liabilities from 1 January 2016 to 31 December 2016 was mainly due to the increase in short-term advances received from customers in relation to the sales of consumables and equipment at 31 December 2016. The decrease in contract liabilities from 31 December 2016 to 31 December 2017 was mainly due to the decrease in short-term advances received from customers in relation to the sales of consumables and equipment at 31 December 2017.

(b) Vastec had an outstanding balance due to its director, Mr. Leung King Sun, of RMB21,931,000, RMB20,293,000 and RMB21,418,000 as at 31 December 2016, 2017 and 2018, respectively. This balance is non-trade nature, unsecured, bears interest at 4.2% per annum and is repayable on demand.

Vastec had an outstanding balance due to its director, Mr. Ho Kuk Sing, of RMB21,879,000, RMB20,351,000 and RMB21,418,000 as at 31 December 2016, 2017 and 2018, respectively. This balance is non-trade nature, unsecured, bears interest at 4.2% per annum and is repayable on demand.

21. AMOUNTS DUE TO SHAREHOLDERS AND A RELATED PARTY

Vastec Group and Vastec

Particulars of the amounts due to shareholders and a related party are as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Due to shareholders			
Huatuo	351	–	–
IVD Holding	–	–	–
	351	–	–
Due to a related party			
IVD International Limited ("IVD International")*	–	52,758	21,812

* IVD International is subsidiary of IVD Holding.

The balances with shareholders are non-trade nature, unsecured, non-interest-bearing and repayable on demand.

The balance with a related party is non-trade nature, unsecured, bears interest at a rate from 3.4% to 4.0% per annum and is repayable on demand.

Vastec

The balances with shareholders are non-trade nature, unsecured, non-interest bearing and repayable on demand.

The balance with a related party is non-trade nature, unsecured, bears interest at a rate from 3.4% to 4.0% per annum and is repayable on demand.

22. INTEREST-BEARING BANK BORROWINGS

Vastec Group

	As at 31 December 2016			As at 31 December 2017			As at 31 December 2018		
	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current:									
Bank loans – unsecured	4.4	2017	130,000	4.5	2018	100,000	5.2-5.3	2019	40,000

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans repayable:			
Within one year or on demand	130,000	100,000	40,000

Notes:

(a) As at 31 December 2016, 2017 and 2018, the bank loans were secured by the guarantee of a shareholder, Shinva.

(b) Borrowings of the Vastec Group is denominated in RMB.

23. DEFERRED TAX

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

Vastec Group

Deferred tax assets

	Depreciation in excess of related depreciation allowance	Impairment of trade receivables	Unrealised gains resulting from intra group transactions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	–	398	1,740	2,138
Deferred tax charged to profit or loss during the year *(note 8)*	–	(158)	(503)	(661)
Exchange realignment	–	4	–	4
At 31 December 2016 and 1 January 2017	–	244	1,237	1,481
Deferred tax credited to profit or loss during the year *(note 8)*	–	380	597	977
Exchange realignment	–	(4)	–	(4)
At 31 December 2017 and 1 January 2018	–	620	1,834	2,454
Deferred tax credited/(charged) to profit or loss during the year *(note 8)*	83	(216)	(1,362)	(1,495)
Exchange realignment	(1)	2	–	1
At 31 December 2018	82	406	472	960

Deferred tax liabilities

	Withholding taxes	Depreciation allowance in excess of related depreciation	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	19,306	43	19,349
Deferred tax charged/(credited) to profit or loss during the year *(note 8)*	4,306	(16)	4,290
Exchange realignment	–	3	3
At 31 December 2016 and 1 January 2017	23,612	30	23,642
Deferred tax charged/(credited) to profit or loss during the year *(note 8)*	8,390	(19)	8,371
Exchange realignment	–	(1)	(1)
At 31 December 2017 and 1 January 2018	32,002	10	32,012
Deferred tax charged/(credited) to profit or loss during the year *(note 8)*	7,877	(10)	7,867
At 31 December 2018	39,879	–	39,879

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

Vastec

Deferred tax assets

	Depreciation in excess of related depreciation allowance	Impairment of trade receivables	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	–	23	23
Deferred tax credited to profit or loss during the year	–	43	43
Exchange realignment	–	4	4
At 31 December 2016 and 1 January 2017	–	70	70
Deferred tax charged to profit or loss during the year	–	(26)	(26)
Exchange realignment	–	(4)	(4)
At 31 December 2017 and 1 January 2018	–	40	40
Deferred tax credited/(charged) to profit or loss during the year	83	(8)	75
Exchange realignment	(1)	2	1
At 31 December 2018	82	34	116

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation
	RMB'000
At 1 January 2016	43
Deferred tax credited to profit or loss during the year	(16)
Exchange realignment	3
At 31 December 2016 and 1 January 2017	30
Deferred tax credited to profit or loss during the year	(19)
Exchange realignment	(1)
At 31 December 2017 and 1 January 2018	10
Deferred tax credited to profit or loss during the year	(10)
At 31 December 2018	–

24. SHARE CAPITAL

Vastec is a limited liability company incorporated in Hong Kong on 31 August 1993. The issued share capital of Vastec was HK$10,000 (equivalent to RMB8,805).

	As at 31 December 2016, 2017 and 2018	
	HK$	*Equivalent to RMB*
Issued and fully paid:		
10,000 ordinary shares	10,000	8,805

No movement in Vastec's share capital was noted during the years ended 31 December 2016, 2017 and 2018.

25. RESERVES

Vastec Group

The amounts of the Vastec Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page II-7.

(a) Statutory reserve

In accordance with the Company Law of the PRC, Vastec's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

(b) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of Vastec.

Vastec

	Exchange reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	(1,013)	33,173	32,160
Profit for the year	–	52,021	52,021
Other comprehensive income for the year:			
Exchange differences on translation of Vastec's financial statements	818	–	818
Total comprehensive income for the year	818	52,021	52,839
Final 2015 dividend declared *(note 9)*	–	(34,891)	(34,891)
At 31 December 2016 and 1 January 2017	(195)	50,303	50,108
Profit for the year	–	9,608	9,608
Other comprehensive loss for the year:			
Exchange differences on translation of Vastec's financial statements	(726)	–	(726)
Total comprehensive income for the year	(726)	9,608	8,882
Final 2016 dividend declared *(note 9)*	–	(28,143)	(28,143)
At 31 December 2017 and 1 January 2018	(921)	31,768	30,847
Profit for the year	–	42,127	42,127
Other comprehensive loss for the year:			
Exchange differences on translation of Vastec's financial statements	(1,164)	–	(1,164)
Total comprehensive income for the year	(1,164)	42,127	40,963
Final 2017 dividend declared *(note 9)*	–	(35,989)	(35,989)
At 31 December 2018	(2,085)	37,906	35,821

26. OPERATING LEASE ARRANGEMENTS

Vastec Group

As lessee

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

As at the end of each of the Relevant Periods, the Vastec Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within one year	5,363	8,189	9,381
In the second to fifth years, inclusive	7,768	20,053	17,085
	13,131	28,242	26,466

Vastec

As at the end of each of the Relevant Periods, Vastec had no future lease payments under non-cancellable operating leases.

27. RELATED PARTY TRANSACTIONS

(a) The Vastec Group had the following transactions with related parties during the Relevant Periods:

		Year ended 31 December		
	Notes	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
Sales of products:				
Dacheng	*(i)*	103,632	94,004	116,616
Digital Images Diagnostic Medical Equipment (Shanghai) Co., Ltd. ("Digital China")	*(i)*	173	–	–
Suzhou DiagVita Biotechnology Co., Ltd.	*(i)*	5	10	15
Shinva	*(i)*	10,088	–	–
Purchases of products:				
Dacheng	*(ii)*	4	2,158	1,670
IVD China	*(ii)*	250	–	–
Shinva	*(ii)*	–	276	3
Service fee income:				
Dacheng	*(iii)*	262	9	8
IVD Medical Holding Limited	*(iii)*	21	68	61
Service fee expenses:				
Digital China	*(iii)*	–	374	4
Dacheng	*(iii)*	–	–	4
Shinva	*(iii)*	–	596	–
Rental fee expenses:				
Mr. Ho	*(iv)*	1,278	1,273	1,261
Mr. Leung	*(iv)*	1,278	1,273	1,261
Shinva	*(iv)*	261	345	3,252
Loan interest expenses:				
Mr. Ho	*(v)*	841	867	867
Mr. Leung	*(v)*	841	867	867
IVD International	*(v)*	–	1,083	1,356

Notes:

(i) The sales to Shinva and the companies with common shareholders of the Vastec Group were made according to the prices and conditions mutually agreed by the Vastec Group and the related companies.

(ii) The purchases from Shinva and the companies with common shareholders of the Vastec Group were made according to the prices and conditions mutually agreed by the Vastec Group and the related companies.

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

(iv) The rental fee expenses were based on the market rates.

(v) The loan interest expenses were calculated at effective interest rates ranging from 3.4% to 4.2% of the principal per annum.

(b) Balances with related parties:

Details of the Vastec Group's amounts due to directors, shareholders and a related party as at the end of each of the Relevant Periods are included in notes 20(c) and 21 to the Historical Financial Information.

Details of the Vastec Group's trade receivables and payables due from/to shareholders and related parties as at the end of each of the Relevant Periods are included in notes 16 and 19 to the Historical Financial Information.

(c) Compensation of key management personnel of the Vastec Group:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Short term employee benefits	6,835	7,571	9,550
Post-employment benefits	92	109	111
Total compensation paid to key management personnel	6,927	7,680	9,661

Further details of directors' and the chief executive's emoluments are included in note 10 to the Historical Financial Information.

28. INVESTMENT IN A SUBSIDIARY

Vastec

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	2,483	2,483	2,483

The amount due from the subsidiary is unsecured, interest-free and repayable on demand.

Particulars of the subsidiary are disclosed in note 1 to the Historical Financial Information.

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Due to directors	Amount due to a related party	Interest-bearing bank borrowings
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2016	39,297	–	60,000
Changes from financing cash flows	–	–	70,000
Foreign exchange movement	4,513	–	–
As at 31 December 2016 and 1 January 2017	43,810	–	130,000
Changes from financing cash flows	–	52,758	(30,000)
Foreign exchange movement	(3,166)	–	–
As at 31 December 2017 and 1 January 2018	40,644	52,758	100,000
Changes from financing cash flows	–	(30,946)	(60,000)
Foreign exchange movement	2,192	–	–
As at 31 December 2018	42,836	21,812	40,000

30. 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:

Vastec Group

Financial assets

	Financial assets at amortised cost		
	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	107,052	137,828	190,908
Financial assets included in prepayments and other receivables	2,642	1,956	5,444
Pledged deposits	26,012	17,378	12,109
Cash and cash equivalents	156,790	220,802	163,678
	292,496	377,964	372,139

Financial liabilities

	Financial liabilities at amortised cost		
	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	141,344	119,690	87,446
Financial liabilities included in other payables and accruals	65,737	70,303	49,437
Interest-bearing bank borrowings	130,000	100,000	40,000
Amounts due to shareholders	351	–	–
Amount due to a related party	–	52,758	21,812
	337,432	342,751	198,695

Vastec

Financial assets

	Financial assets at amortised cost		
	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	9,784	5,160	5,073
Financial assets included in other receivables	83	78	148
Amount due from a subsidiary	71,586	169,406	116,302
Pledged deposits	26,012	17,378	12,109
Cash and cash equivalents	17,449	18,937	6,839
	124,914	210,959	140,471

Financial liabilities

	Financial liabilities at amortised cost		
	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	32,974	88,618	41,045
Financial liabilities included in other payables and accruals	46,200	44,619	45,257
Amounts due to shareholders	351	–	–
Amount due to a related party	–	52,758	21,812
	79,525	185,995	108,114

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Vastec Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		
	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Interest-bearing bank borrowings	130,000	100,000	40,000

	Fair values		
	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities			
Interest-bearing bank borrowings	131,362	101,415	40,885

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals and balances with shareholders and related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption were used to estimate the fair values:

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The Vastec Group did not have any financial assets and financial liabilities measured at fair value as at the end of each of the Relevant Periods.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Vastec Group's own non-performance risk for interest-bearing bank borrowing as at 31 December 2016, 2017 and 2018 were assessed to be insignificant.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Vastec Group's principal financial instruments comprise cash and cash equivalents and the interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Vastec Group's operations. The Vastec Group has various other financial assets and liabilities, such as trade and bills receivables, financial assets included in prepayments and other receivables, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

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

Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Vastec Group's profit before tax (through the impact on cash and cash equivalents and interest-bearing bank borrowings).

Vastec Group

	Increase/ (decrease) in basis points	Increase/(decrease) in profit before tax		
		Year ended 31 December		
		2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
RMB	100	36	941	1,136
HK$	100	67	31	20
US$	100	151	213	77
RMB	(100)	(36)	(941)	(1,136)
HK$	(100)	(67)	(31)	(20)
US$	(100)	(151)	(213)	(77)

Vastec

	Increase/ (decrease) in basis points	Increase/(decrease) in profit before tax		
		Year ended 31 December		
		2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
HK$	100	32	31	18
US$	100	129	140	237
HK$	(100)	(32)	(31)	(18)
US$	(100)	(129)	(140)	(237)

Foreign currency risk

The Vastec Group has transactional currency exposures. Such exposures arise from bank deposits held by operating units in currencies other than the units' functional currency. For the years ended 31 December 2016, 2017 and 2018, approximately 14.8%, 11.9% and 6.1% of the Vastec Group's cash and cash equivalents were denominated in currencies other than the functional currency of the operating units, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Vastec Group's profit before tax.

Vastec Group

	Increase/ (decrease) in foreign currency rate	**Increase/(decrease) in profit before tax**		
		Year ended 31 December		
		2016	**2017**	**2018**
	%	*RMB'000*	*RMB'000*	*RMB'000*
If RMB weakens against HK$	1	127	43	54
If RMB strengthens against HK$	(1)	(127)	(43)	(54)
If RMB weakens against US$	1	151	229	95
If RMB strengthens against US$	(1)	(151)	(229)	(95)

Vastec

	Increase/ (decrease) in foreign currency rate	**Increase/(decrease) in profit before tax**		
		Year ended 31 December		
		2016	**2017**	**2018**
	%	*RMB'000*	*RMB'000*	*RMB'000*
If RMB weakens against HK$	1	91	43	54
If RMB strengthens against HK$	(1)	(91)	(43)	(54)
If RMB weakens against US$	1	129	156	62
If RMB strengthens against US$	(1)	(129)	(156)	(62)

Credit risk

The Vastec Group trades only with recognised and creditworthy third parties. It is the Vastec 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 Vastec 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 Vastec Group does not offer credit terms without the specific approval of the head of credit control.

The table below shows the credit quality and the maximum exposure to credit risk based on the Vastec 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.

Vastec Group

	12-month ECLs Stage 1 *RMB'000*	Lifetime ECLs Simplified approach *RMB'000*	Total *RMB'000*
As at 31 December 2016			
Trade receivables*	–	107,919	107,919
Bills receivable**			
– Normal	250	–	250
Financial assets included in prepayments and other receivables**			
– Normal	2,642	–	2,642
Pledged deposits			
– Not yet past due	26,012	–	26,012
Cash and cash equivalents			
– Not yet past due	156,790	–	156,790
	185,694	107,919	293,613
As at 31 December 2017			
Trade receivables*	–	139,683	139,683
Bills receivable**			
– Normal	704	–	704
Financial assets included in prepayments and other receivables**			
– Normal	1,956	–	1,956
Pledged deposits			
– Not yet past due	17,378	–	17,378
Cash and cash equivalents			
– Not yet past due	220,802	–	220,802
	240,840	139,683	380,523
As at 31 December 2018			
Trade receivables*	–	186,692	186,692
Bills receivable**			
– Normal	5,910	–	5,910
Financial assets included in prepayments and other receivables**			
– Normal	5,444	–	5,444
Pledged deposits			
– Not yet past due	12,109	–	12,109
Cash and cash equivalents			
– Not yet past due	163,678	–	163,678
	187,141	186,692	373,833

Vastec

	12-month ECLs Stage 1	Lifetime ECLs Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2016			
Trade receivables*	–	10,209	10,209
Financial assets included in other receivables**			
– Normal	83	–	83
Amount due from a subsidiary**			
– Normal	71,586	–	71,586
Pledged deposits			
– Not yet past due	26,012	–	26,012
Cash and cash equivalents			
– Not yet past due	17,449	–	17,449
	115,130	10,209	125,339
As at 31 December 2017			
Trade receivables*	–	5,403	5,403
Financial assets included in other receivables**			
– Normal	78	–	78
Amount due from a subsidiary**			
– Normal	169,406	–	169,406
Pledged deposits			
– Not yet past due	17,378	–	17,378
Cash and cash equivalents			
– Not yet past due	18,937	–	18,937
	205,799	5,403	211,202
As at 31 December 2018			
Trade receivables*	–	5,280	5,280
Financial assets included in other receivables**			
– Normal	148	–	148
Amount due from a subsidiary**			
– Normal	116,302	–	116,302
Pledged deposits			
– Not yet past due	12,109	–	12,109
Cash and cash equivalents			
– Not yet past due	6,839	–	6,839
	135,398	5,280	140,678

* For trade receivables to which the Vastec Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 16 to the Historical Financial Information.

** The credit quality of the bills receivable, financial assets included in prepayments and other receivables and an amount due from a subsidiary 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".

Liquidity risk

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

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

Vastec Group

	On demand	No later than 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2016			
Trade payables	–	141,344	141,344
Other payables and accruals	45,678	20,059	65,737
Interest-bearing bank borrowings	–	131,362	131,362
Amounts due to shareholders	351	–	351
	46,029	292,765	338,794
As at 31 December 2017			
Trade payables	–	119,690	119,690
Other payables and accruals	44,475	25,828	70,303
Interest-bearing bank borrowings	–	101,415	101,415
Amount due to a related party	52,758	–	52,758
	97,233	246,933	344,166
As at 31 December 2018			
Trade payables	–	87,446	87,446
Other payables and accruals	47,055	2,382	49,437
Interest-bearing bank borrowings	–	40,885	40,885
Amount due to a related party	21,812	–	21,812
	68,867	130,713	199,580

Vastec

	On demand	No later than 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2016			
Trade payables	–	32,974	32,974
Other payables and accruals	43,810	2,390	46,200
Amounts due to shareholders	351	–	351
	44,161	32,364	79,525

	On demand	No later than 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2017			
Trade payables	–	88,618	88,618
Other payables and accruals	40,644	3,975	44,619
Amount due to a related party	52,758	–	52,758
	93,402	92,593	185,995
As at 31 December 2018			
Trade payables	–	41,045	41,045
Other payables and accruals	42,874	2,383	45,257
Amount due to a related party	–	21,812	21,812
	42,874	65,240	108,114

Capital management

The primary objectives of the Vastec Group's capital management are to safeguard the Vastec 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 Vastec 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 Vastec Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Vastec Group is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes for managing capital during the Relevant Periods.

The Vastec Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt represents interest-bearing bank borrowings and amounts due to directors, shareholders and a related party. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Due to directors	43,810	40,644	42,836
Amounts due to shareholders	351	–	–
Amount due to a related party	–	52,758	21,812
Interest-bearing bank borrowings	130,000	100,000	40,000
Total debt	174,161	193,402	104,648
Total equity	492,116	637,374	792,382
Gearing ratio	35.4%	30.3%	13.2%

33. EVENTS AFTER THE RELEVANT PERIODS

Subsequent to 31 December 2018, on 25 January 2019, a special dividend of approximately RMB400 million was declared by the board of directors and approved by the shareholders of Vastec.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Vastec, the Vastec Group or any of the companies now comprising the Vastec Group in respect of any period subsequent to 31 December 2018.

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group set out in Appendix IIIB to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Enlarged Group attributable to owners of the Company as if the Global Offering had taken place on 31 December 2018.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Enlarged Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Enlarged Group had the Global Offering been completed as at 31 December 2018 or any future dates:

	Unaudited pro forma consolidated net tangible assets attributable to owners of the Company as at 31 December 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(note 1)	*(note 2)*			*(note 3, 4)*
Based on an Offer Price of HK$3.07 per Offer Share	460,360	819,893	1,280,253	0.96	1.09
Based on an Offer Price of HK$3.68 per Offer Share	460,360	991,689	1,452,049	1.09	1.24

Notes:

1. The unaudited pro forma consolidated net tangible assets attributable to the owners of the Company as at 31 December 2018 is arrived at after deducting goodwill of the RMB 1,087,899,000 and other intangible assets of the RMB 444,855,000 from the unaudited pro forma consolidated net assets of RMB 1,993,114,000 attributable to the owners of the Company as at 31 December 2018, as shown in the Appendix IIIB to this prospectus.

   The unaudited pro forma consolidated net tangible assets has taken into account (i) the special dividends declared on 25 January 2019 of amount approximately RMB69 million and RMB400 million payable by the Company and Vastec Medical Limited ("Vastec"); and (ii) the acquisition of Vastec and its subsidiary (collectively the "Vastec Group") by the Original Group on 25 January 2019.

2. The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK$3.07 and HK$3.68 per Share, being the lower end to higher end of the stated offer price range, after deduction of the estimated underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of any options granted under the ESOP.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments described in note (2) above and on the basis of 1,333,400,000 Shares, which comprise of 84,578,797 Shares in issue as at the date of this prospectus (including 32,339,139 new Shares issued by our Company on 25 January 2019), 915,421,203 Shares to be issued under the Capitalisation Issue and 333,400,000 Shares to be issued under the Global Offering, assuming that the Share Offer had been completed on 31 December 2018 but takes no account of any Shares which may be issued upon the exercise of any options granted or to be granted under the ESOP or the Share Option Scheme.

4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2018.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from the reporting accountants, *Ernst & Young*, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

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

The Directors
IVD Medical Holding Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of IVD Medical Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at 31 December 2018, and related notes as set out on in Part A of Appendix IIIA to the Prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix IIIA to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of public offer and placing of shares of the Company on the Group's financial position as at 31 December 2018 as if the transaction had taken place at 31 December 2018. As part of this process, information about the Group's financial position, has been extracted by the Directors from the financial information of the Group for the year ended 31 December 2018, as set out in Appendix I to the Prospectus.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of public offer and placing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
29 June 2019

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I and Appendix II to this prospectus, and is included for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set out in Appendix I and Appendix II to this Prospectus.

A. UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Unaudited Pro Forma consolidated statement of profit or loss of the Enlarged Group for the year ended 31 December 2018

The unaudited pro forma consolidated statement of profit or loss of the IVD Medical Holding Limited (the "Company") and its subsidiaries (collectively the "Group"), and Vastec Medical Limited ("Vastec") and its subsidiary, Vastec Medical Equipment (Shanghai) Co., Limited (collectively the "Vastec Group", and collectively with the Group, (the "Enlarged Group") for the year ended 31 December 2018 (the "Unaudited Pro Forma Consolidated Statement of Profit or Loss") had been prepared in accordance with paragraph 4.29 of the Listing Rules and Accounting Guidance 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants for the purpose of illustrating the effect of the acquisition (the "Step Acquisition") of the remaining 60% equity interests of the Vastec Group on the consolidated statement of profit or loss of the Group as if the Step Acquisition had taken place on 1 January 2018.

The Unaudited Pro Forma Consolidated Statement of Profit or Loss is prepared based on the audited consolidated statement of profit or loss of the Group for the year ended 31 December 2018 as set out in the accountants' report of the Group included in Appendix I to the Prospectus, the audited consolidated statement of profit or loss of the Vastec Group for the year ended 31 December 2018 as set out in the accountants' report of the Vastec Group included in Appendix II to the Prospectus and with further adjustments as explained in the notes below.

The Unaudited Pro Forma Consolidated Statement of Profit or Loss has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the results of the Enlarged Group.

	The Group	The Vastec Group	Sub-Total	Elimination of intercompany results	Pro forma Enlarged Group before one-off adjustment	One off adjustment related to Acquisition of Vastec Group	Other pro forma adjustment	Pro forma Enlarged Group after one-off adjustment
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*		*(Note 3)*		*(Note 4c)*	*(Note 5)*	
REVENUE	413,635	1,852,514	2,266,149	(118,302)	2,147,847	–	–	2,147,847
Cost of sales	(296,964)	(1,484,574)	(1,781,538)	118,709	(1,662,829)	–	–	(1,662,829)
GROSS PROFIT	116,671	367,940	484,611		485,018			485,018
Other income and gains	5,946	27,273	33,219	(1,369)	31,850	–	–	31,850
Selling and distribution expenses	(11,631)	(80,971)	(92,602)	12	(92,590)	–	–	(92,590)
Administrative expenses	(67,230)	(37,495)	(104,725)	61	(104,664)	–	(515)	(105,179)
Other expenses	(328)	(4,841)	(5,169)	(407)	(5,576)	–	–	(5,576)
Finance costs	–	(6,633)	(6,633)	1,296	(5,337)	–	–	(5,337)
Share of profits/(losses) of associates	76,529	(344)	76,185	(76,820)	(635)	285,512	–	284,877
(Impairment)/reversal of impairment of trade receivables	(2,335)	874	(1,461)	–	(1,461)	–	–	(1,461)
PROFIT BEFORE TAX	117,622	265,803	383,425		306,605			591,602
Income tax expenses	(18,114)	(73,642)	(91,756)	–	(91,756)	–	85	(91,671)
PROFIT FOR THE YEAR	99,508	192,161	291,669		214,849			499,931
Profit/(loss) attributable to:								
Owners of the parent	103,440	192,161	295,601	(76,820)	218,781	285,512	(430)	503,863
Non-controlling interests	(3,932)	–	(3,932)	–	(3,932)	–	–	(3,932)
	99,508	192,161	291,669		214,849			499,931

2. Unaudited pro forma consolidated statement of financial position of the enlarged group as of 31 December 2018

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2018 (the "Unaudited Pro Forma Consolidated Statement of Financial Position") prepared in accordance with paragraph 4.29 of the Listing Rules and AG7 as set out below had been prepared to illustrate the impact of the Step Acquisition on the Group's consolidated statement of financial position, as if the Step Acquisition had taken place on 31 December 2018.

The Unaudited Pro Forma Consolidated Statement of Financial Position is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2018 as set out in the accountants' report of the Group included in Appendix I to the Prospectus, the audited consolidated statement of financial position of the Vastec Group as at 31 December 2018 as set out in the accountants' report of the Vastec Group included in Appendix II to the Prospectus and with further adjustments as explained in the notes below.

The Unaudited Pro Forma Consolidated Statement of Financial Position has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Enlarged Group.

	The Group	The Vastec Group	Sub-Total	Elimination of intercompany receivables and payables	Special dividend	Fair value adjustments of Vastec Group	Acquisition of Vastec Group	Pro forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4a)*	*(Note 4bii)*	*(Note 4b)*	
NON-CURRENT ASSETS								
Property, plant and equipment	41,815	20,599	62,414	–	–	3,434	–	65,848
Goodwill	6,639	–	6,639	–	–	–	1,081,260	1,087,899
Other intangible assets	28,054	–	28,054	–	–	416,801	–	444,855
Investments in associates	595,326	–	595,326	–	(160,000)	–	(428,595)	6,731
Deferred tax assets	1,639	960	2,599	–	–	–	–	2,599
Total non-current assets	673,473	21,559	695,032					1,607,932
CURRENT ASSETS								
Inventories	51,408	525,823	577,231	–	–	73,682	–	650,913
Trade and bills receivables	162,350	190,908	353,258	(23,093)	–	–	–	330,165
Prepayments and other receivables	14,316	192,667	206,983	–	–	–	–	206,983
Amounts due from associates	22,292	–	22,292	(21,812)	–	–	–	480
Amounts due from shareholders	837	–	837	–	–	–	–	837
Amounts due from related parties	–	–	–	(160,000)	160,000	–	–	–
Pledged deposits	–	12,109	12,109	–	–	–	–	12,109
Cash and cash equivalents	115,364	163,678	279,042	–	–	–	–	279,042
Total current assets	366,567	1,085,185	1,451,752					1,480,529
CURRENT LIABILITIES								
Trade payables	36,454	87,446	123,900	(21,504)	–	–	–	102,396
Other payables and accruals	12,377	87,889	100,266	(62)	–	–	–	100,204
Interest-bearing bank borrowings	–	40,000	40,000	–	–	–	–	40,000
Amounts due to intercompanies	–	–	–	(160,000)	160,000	–	–	–
Amounts due to shareholders	320	–	320	–	240,000	–	411,305	651,625
Amount due to a related party	–	21,812	21,812	(21,812)	–	–	–	–
Tax payable	20,611	37,336	57,947	–	–	–	–	57,947
Total current liabilities	69,762	274,483	344,245					952,172
NET CURRENT ASSETS	296,805	810,702	1,107,507					528,357
TOTAL ASSETS LESS CURRENT LIABILITIES	970,278	832,261	1,802,539					2,136,289

	The Group	The Vastec Group	Sub-Total	Elimination of intercompany receivables and payables	Special dividend	Fair value adjustments of Vastec Group	Acquisition of Vastec Group	Pro forma Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4a)*	*(Note 4bii)*	*(Note 4b)*	
NON-CURRENT LIABILITIES								
Deferred tax liabilities	14,551	39,879	54,430	–	–	81,496	–	135,926
Total non-current liabilities	14,551	39,879	54,430					135,926
Net assets	955,727	792,382	1,748,109					2,000,363
EQUITY								
Equity attributable to owner of the Company								
Share capital	171	9	180	–	–	–	96	276
Reserves	948,307	792,373	1,740,680	(1,527)	(400,000)	412,421	241,264	1,992,838
	948,478	792,382	1,740,860					1,993,114
Non-controlling interests	7,249	–	7,249	–	–	–	–	7,249
Total equity	955,727	792,382	1,748,109					2,000,363

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP AS OF 31 DECEMBER 2018

The unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2018 (the "Unaudited Pro Forma Consolidated Statement of Cash Flows") had been prepared in accordance with paragraph 4.29 of the Listing Rules and AG 7 issued by the Hong Kong Institute of Certified Public Accountants for the purpose of illustrating the effect of Acquisition on the consolidated statement of cash flows of the Group as if the Acquisition had taken place on 1 January 2018.

The Unaudited Pro Forma Consolidated Statement of Cash Flows is prepared based on the audited consolidated statement of cash flows of the Group for the year ended 31 December 2018 as set out in the accountants' report of the Group included in Appendix I to the Prospectus, the audited consolidated statement of cash flows of the Vastec Group for the year ended 31 December 2018 as set out in the accountants' report of the Vastec Group included in Appendix II to the Prospectus and with further adjustments as explained in the notes below.

The Unaudited Pro Forma Consolidated Statement of Cash Flows has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the cash flows of the Enlarged Group.

	The Group RMB'000 (Note 1)	The Vastec Group RMB'000 (Note 2)	Sub-Total RMB'000	Elimination of intercompany cash flows RMB'000 (Note 3)	Special dividend RMB'000 (Note 4a)	Acquisition of Vastec Group RMB'000 (Note 4c)	Other pro forma adjustment RMB'000 (Note 5)	Pro forma Enlarged Group RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES								
Profit before tax	117,622	265,803	383,425	(76,820)	–	285,512	(515)	591,602
Adjustment for:								
Finance costs	–	6,633	6,633	(1,296)	–	–	–	5,337
Depreciation	16,486	7,064	23,550	–	–	–	515	24,065
Amortisation of other intangible assets	1,260	–	1,260	–	–	–	–	1,260
Loss/(gain) on disposal of items of property, plant and equipment	3	(1,210)	(1,207)	–	–	–	–	(1,207)
Share of (profits)/loss of associates	(76,529)	344	(76,185)	76,820	–	–	–	635
Gain on derecognition of associates	–	–	–	–	–	(285,512)	–	(285,512)
Interest income	(1,525)	(1,059)	(2,584)	1,296	–	–	–	(1,288)
	57,317	277,575	334,892					334,892
Increase in inventories	(3,570)	(59,675)	(63,245)	–	–	–	–	(63,245)
Increase in trade receivable	(36,222)	(54,909)	(91,131)	(441)	–	–	–	(91,572)
Decrease in prepayments and other Receivables	343	26,974	27,317	–	–	–	–	27,317
Decrease in trade payables	(5,004)	(32,244)	(37,248)	2,049	–	–	–	(35,199)
Decrease in other payables and accruals	(2,072)	(27,397)	(29,469)	(106)	–	–	–	(29,575)
Cash generated from operations	10,792	130,324	141,116					142,618
Taxes paid	(8,833)	(63,591)	(72,424)	–	–	–	–	(72,424)
Net cash flows from operating activities	1,959	66,733	68,692					70,194
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of items of property, plant and equipment	(16,439)	(721)	(17,160)	–	–	–	–	(17,160)
Proceeds from disposal of items of property, plant and equipment	7	3,452	3,459	–	–	–	–	3,459
Acquisition of subsidiaries	–	–	–	–	–	–	(20,000)	(20,000)
Advance to associates	(22,292)	–	(22,292)	21,812	–	–	–	(480)
Repayment from associates	52,773	–	52,773	–	–	–	–	52,773
Interest received	1,525	1,059	2,584	–	–	–	–	2,584
Dividend received	14,396	–	14,396	(14,396)	–	–	–	–
Decrease in pledged deposits	–	5,269	5,269	–	–	–	–	5,269
Net cash flows from investing activities	29,970	9,059	39,029					26,445

	The Group RMB'000 (Note 1)	The Vastec Group RMB'000 (Note 2)	Sub-Total RMB'000	Elimination of intercompany cash flows RMB'000 (Note 3)	Special dividend RMB'000 (Note 4a)	Acquisition of Vastec Group RMB'000 (Note 4c)	Other pro forma adjustment RMB'000 (Note 5)	Pro forma Enlarged Group RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES								
Advances from shareholders	235	–	235	–	20,000	–	(20,000)	235
Repayment to shareholders	(176)	–	(176)	–	–	–	–	(176)
Repayment to a related party	–	(30,946)	(30,946)	21,812	–	–	–	(9,134)
New bank loan	–	400,000	400,000	–	–	–	–	400,000
Repayment of bank loans	–	(460,000)	(460,000)	–	–	–	–	(460,000)
Dividend paid	–	(35,989)	(35,989)	14,396	(20,000)	–	–	(41,593)
Interest paid	–	(6,633)	(6,633)	–	–	–	–	(6,633)
New cash flows from/(used in) financing activities	59	(133,568)	(133,509)					(117,301)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	31,988	(57,776)	(25,788)					(20,662)
Cash and cash equivalents at beginning of year	79,307	220,802	300,109					300,109
Effect of foreign exchange rate changes, net	4,069	652	4,721	(1,829)	–	–	–	2,892
CASH AND CASH EQUIVALENTS AT END OF YEAR	115,364	163,678	279,042					282,339

Notes:

1. The amounts are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2018 as set out in the accountants' report of the Group included in Appendix I to the Prospectus.

2. The amounts are extracted from the audited consolidated financial statements of the Vastec Group for the year ended 31 December 2018 as set out in the accountants' report of the Vastec Group included in Appendix II to the Prospectus.

3. The adjustment represents the elimination of transactions or balances between the Group and the Vastec Group. This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss or unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

4. Pursuant to a share purchase agreement (the "Share Purchase Agreement") signed between the Company and Huatuo International Development Co. Ltd. ("Huatuo"), the Company acquired the remaining 60% equity interests of Vastec from Huatuo, at a total consideration of RMB1,233,915,840 comprising (i) a consideration of approximately RMB411,305,000 in cash (the "Cash Consideration") by installment; and (2) RMB822,610,560 by allotment and issue of 32,339,139 shares of the Company (the "Share Consideration"), representing approximately 38.24% of the enlarged equity interests of the Company as at 25 January 2019. The transaction was completed on 25 January 2019 and the Vastec Group became a wholly owned subsidiary of the Group, in which its entire equity interests was held by the Company.

   In addition, upon the Step Acquisition taken place on 25 January 2019, special dividends (the "Special Dividends") in the amounts of RMB160,000,000 and RMB240,000,000 were declared by Vastec to its shareholders, the Company and Huatuo, respectively.

   Details of the Acquisition and the Special Dividends are set out in the section "History, Reorganisation and Corporate Structure – Pre-IPO Investments – 2. Summary of Material Terms of the Pre-IPO Investments" in the Prospectus.

   The adjustment represents:

   (a) The Special Dividends declared as if the Step Acquisition had taken place on 1 January 2018. The Special Dividends were based on the equity interests of the Company and Huatuo in Vastec prior to completion of the Step Acquisition, i.e. 40% and 60%, respectively. The dividend payable to the Company and Huatuo amounts to RMB160,000,000 and RMB240,000,000, respectively. After the completion of the Step Acquisition, RMB3,333,333 per quarter and RMB5,000,000 per quarter will be paid by Vastec to the Company and Huatuo, respectively. If the upcoming Initial Public Offering (the "IPO") is successful and when the net proceeds of the IPO have been received by the Company and are available, the outstanding balances of the Special Dividends will be settled within 30 days after completion of the IPO. If the IPO is terminated by the Directors of the Company prior to 31 December 2020, the outstanding balances of the Special Dividends will be canceled and forfeited in its entirety. The Group expects the IPO listing date would be on or about 12 July 2019. As a result, as at 31 December 2018, the outstanding balances of Special Dividends payable to the Company and Huatuo are RMB146,667,000 and RMB220,000,000, respectively, as if the Step Acquisition had taken place on 1 January 2018.

   (b) Goodwill arising from the Step Acquisition as if the Step Acquisition had taken place on 31 December 2018.

       The Group will apply the acquisition method of accounting under International Financial Reporting Standard 3 *Business Combination* (the "IFRS 3") for the Step Acquisition. In applying the acquisition method, the identifiable assets acquired and liabilities assumed of the Vastec Group will be recorded on the consolidated statement of financial position of the Enlarged Group at their fair values as at the date of completion of the Step Acquisition. Any goodwill arising from the Step Acquisition represents the excess of the consideration over the fair values of the total identifiable net assets at the date of completion of the Step Acquisition.

The goodwill is calculated below:

	Notes	*RMB'000*
Net assets acquired:		
Total identifiable net assets of the Vastec Group at book value	*(i)*	792,383
Fair value adjustment	*(ii)*	412,421
Special dividend paid		(400,000)
Total identifiable net assets of the Vastec Group at fair value	*(i)*	804,804
Satisfied by:		
The Cash Consideration	*(iii)*	411,305
The Share Consideration	*(iii)*	822,611
Previously held interest of the Vastec Group	*(iv)*	652,148
		1,886,064
Goodwill	*(v)*	1,081,260

(i) The amount is extracted from the audited consolidated financial statements of the Vastec Group for the year ended 31 December 2018 as set out in the accountants' report of the Vastec Group included in Appendix II to the Prospectus.

(ii) The Directors of the Company have determined the fair values of the identifiable assets and liabilities of the Vastec Group as at 31 December 2018 with reference to the valuation report. The fair value of the net assets of the Vastec Group was adjusted (1) fair value uplift of property, plant and equipment of the Vastec Group amounting to RMB3,434,000; (ii) recognition of other intangible assets (i.e. customers relationship) of the Vastec Group amounting to RMB416,801,000; (iii) fair value uplift of inventory of the Vastec Group amounting to RMB73,682,000; and (iv) deferred tax liabilities of the Vastec Group amounted RMB81,496,000.

The customer relationships are related to the sales of Sysmex products to the PRC customers by Vastec. Vastec is the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC. The management considers that they can renew the distribution agreement with Sysmex at immaterial cost in foreseeable future. These intangible assets are considered by the management of the Group as having an indefinite useful life and will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. The intangible assets acquired through business combinations are allocated to cash-generating unit of the Vastec Group ("Vastec CGU") for impairment testing. For details of the impairment testing as at 31 December 2018, please refer to note (v) below.

(iii) The Cash Consideration will be settled by installment. After the completion of the Step Acquisition, RMB5,000,000 per quarter will be paid by the Company to Huatuo until total amount of approximately RMB411,305,000 is repaid. As at 31 December 2018, the outstanding balances of Cash Consideration payable to Huatuo is RMB391,305,000.

Under the terms of the Share Purchase Agreement, 32,339,139 new shares of the Company amounted RMB822,611,000 are allotted to Huatuo at RMB25.44 per share. The Directors of the Company have assumed the amount approximate to fair value.

Details of the terms of the Cash Consideration and the Share Consideration are set out in the section "History, Reorganisation and Corporate Structure – Pre-IPO Investments – 2. Summary of Material Terms of the Pre-IPO Investments" in the Prospectus.

(iv) The Directors of the Company have determined the business value of the Vastec Group before the Acquisition as at 31 December 2018 with reference to the valuation report.

The previously held interest of the Vastec Group is calculated below:

	RMB'000
Net assets acquired:	
Business value of the Vastec Group before the Acquisition	1,630,370
Percentage of share held by the Group	40%
Fair value of the previously held interest	652,148

(v) Goodwill and the intangible assets acquired through business combinations are allocated to the Vastec CGU for impairment testing. As at 31 December 2018, the recoverable amount of Vastec CGU has 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 rates applied to the cash flow projections were 12.93%. The growth rate used to extrapolate the cash flows of Vastec CGU within five-year period was from 6% to 19%. The growth rate used to extrapolate the cash flows of Vastec CGU beyond the five-year period was 3.0%. This growth rate is benchmarked to comparable listed companies in the medical equipment and consumables industry.

In the opinion of the Directors of the Company, based on the results of the goodwill and the intangible assets impairment testing, the estimated recoverable amount of the Vastec CGU exceeded its carrying amount by approximately RMB656,287,000 as at 31 December 2018. The Group has performed sensitivity analysis for reasonably possible changes in the key assumptions:

Scenario	**% change in recoverable amount**	**Headroom**
		(RMB'000)
Decrease in forecasted growth rate by 5%	-26%	91,728
Increase in discount rate by 1%	-10%	445,732

Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

(c) In addition, in accordance to the IFRS 3, the Group will remeasure the Group's previously held interest in the Vastec Group immediate before the Acquisition and recognise the resulting gain or loss in profit or loss (i.e. gain or loss on remeasurement).

As a result of the Acquisition, a gain on remeasurement of RMB285,512,000 is recognised in the Unaudited Pro Forma Consolidated Statement of Profit or Loss and Unaudited Pro Forma Consolidated Statement of Cash Flows as if the Acquisition had taken place as at 1 January 2018:

	RMB'000
Fair value of previously held interest in the Vastec Group	652,148
Carrying value of previously held interest in the Vastec Group	526,636
Less: Special dividend declared to the Group	(160,000)
	366,636
Gain on remeasurement	285,512

This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss or unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

5. The adjustment represents the effect of depreciation as a result of the fair value adjustment of the Vastec Group. This pro forma adjustment is expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss or unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

6. The Unaudited Pro Forma Financial Information of the Enlarged Group does not take into account of any transactions which is carried out subsequent to 31 December 2018.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from the reporting accountants, *Ernst & Young*, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

EY 安永

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

The Directors
IVD Medical Holding Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of IVD Medical Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purpose only. The pro forma financial information consists of the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2018 and the unaudited pro forma consolidated statement of financial position as at 31 December 2018, and the related notes as set out in part A of appendix IIIB to the prospectus dated 29 June 2019 issued by the Company (the "Pro Forma Financial Information of the Enlarged Group"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information of the Enlarged Group are described in part A of appendix IIIB to the prospectus.

The Pro Forma Financial Information of the Enlarged Group has been compiled by the Directors to illustrate the impact of the acquisition of the remaining 60% equity interests of an associate, Vastec Medical Limited ("Vastec") and its subsidiaries (hereinafter collectively referred to as the "Vastec Group") on the Group's financial position as at 31 December 2018 and the Group's financial performance and cash flows for the year ended 31 December 2018 as if the transaction had taken place on 31 December 2018 and 1 January 2018, respectively. As part of this process, information about the Group's financial position as at 31 December 2018 and the Group's financial performance and cash flows for the year ended 31 December 2018 has been extracted by the Directors from the financial information of the Group for the year ended 31 December 2018, as set out in Appendix I to the Prospectus. Information about the Vastec Group's financial position as at 31 December 2018 and the Vastec Group's financial performance and cash flows for the year ended 31 December 2018 has been extracted by the Directors from the financial information of the Vastec Group for the year ended 31 December 2018, as set out in Appendix II to the Prospectus.

Directors' responsibility for the Pro Forma Financial Information of the Enlarged Group

The Directors are responsible for compiling the Pro Forma Financial Information of the Enlarged Group in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information of the Enlarged Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information of the Enlarged Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information of the Enlarged Group, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information of the Enlarged Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information of the Enlarged Group.

The purpose of the Pro Forma Financial Information of the Enlarged Group included in the Prospectus is solely to illustrate the impact of the acquisition of the Vastec Group on unadjusted financial information of the Group as if the acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information of the Enlarged Group has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information of the Enlarged Group provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information of the Enlarged Group reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information of the Enlarged Group has been complied, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information of the Enlarged Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information of the Enlarged Group has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information of the Enlarged Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
29 June 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 January 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 21 June 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 27 August 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 15 January 2016.

We have been registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 10 April 2017, and our principal place of business in Hong Kong is at Room 1703, Grandtech Centre, 8 On Ping Street, Sha Tin, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Leung King Sun has been appointed as the authorised representative in Hong Kong for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises the Memorandum and the Articles of Association. A summary of certain relevant parts of its constitution and certain relevant aspects of Cayman Islands Companies Law is set out in the section headed "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix IV to this prospectus.

2. Changes in share capital of our Company

(a) As at the date of incorporation of our Company on 15 January 2016, our authorised share capital was US$50,000 divided into 100,000,000 Shares having a par value of US$0.0005 each, with one subscribed share allotted and issued as fully-paid at par to the initial subscriber, an independent third party. On the same date, such subscribed share was transferred to Lucan Investment at par value of US$1.00;

(b) On 27 May 2016, 41,811,402 Shares of US$0.0005 each were allotted, issued and fully paid, among which 9,528,988 Shares were allotted and issued to Lucan Investment, 16,141,207 Shares were allotted and issued to King Sun and 16,141,207 Shares were allotted and issued to KS&KL;

(c) On 21 June 2016, 10,428,255 Shares of US$0.0005 each were allotted, issued fully paid, among which 7,835,949 Shares were allotted and issued to NHPE, and 2,592,306 Shares were allotted and issued to Huatuo;

(d) On 25 January 2019, 32,339,139 Shares of US$0.0005 each were allotted, issued, and credited as fully paid to Huatuo;

(e) On 21 June 2019, the authorised share capital of our Company was further increased to US$1,500,000 by the creation of additional 2,900,000,000 Shares pursuant to the resolutions in writing of our Shareholders passed on 21 June 2019; and

(f) Immediately after the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), the authorised share capital of our Company will be US$1,500,000 divided into 3,000,000,000 Shares.

Other than pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the ESOP or the Share Option Scheme, or the exercise of the general mandate referred to in the below subsection headed "– 3. Resolutions in writing of our Shareholders passed on 21 June 2019" in this Appendix, our Directors at present have no intention to issue to any party any of the authorised but unissued share capital of our Company, and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in "History, Reorganisation and Corporate Structure" in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on 21 June 2019

Pursuant to the written resolutions passed by our Shareholders on 21 June 2019, it was resolved that, among other matters:

(a) our authorised share capital was increased from US$50,000 divided into 100,000,000 Shares to US$1,500,000 divided into 3,000,000,000 Shares by the creation of 2,900,000,000 new Shares;

(b) the Memorandum of Association was adopted with immediate effect, and the Articles of Association were conditionally approved and adopted with effect from the Listing Date;

(c) conditional on: (A) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (B) the Offer Price having been determined; (C) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (D) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Global Offering and the Over-allotment Option were approved, and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in "– Other Information – 15. Share Option Schemes – A. Share Option Scheme" in this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at our Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise US$457,710.6015 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 915,421,203 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company at the close of business on 21 June 2019 in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options granted or to be granted under the ESOP or the Share Option Scheme, or under the Global Offering or the Capitalisation Issue or pursuant to the exercise of the Over-allotment Option, an aggregate number of Shares not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting, or when it is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or another stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate number of not exceeding 10% of the number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting, or when it is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to sub-paragraph (iv) above to include the number of Shares which may be purchased or repurchased pursuant to sub-paragraph (v) above;

(d) our Company approved the form and substance of each of the service agreements made between our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our non-executive Directors and independent non-executive Directors and our Company.

4. *Reorganisation*

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing. Following the Reorganisation, our Company became the holding company of our Group. For more details regarding the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

5. *Changes in share capital of subsidiaries*

The subsidiaries of our Company are listed in the Accountants' Report set out in Appendix I to this prospectus.

Except as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there are no changes in the share capital of each of our Company's subsidiaries within the two years immediately preceding the date of this prospectus.

6. *Further information about our subsidiaries and interests in associates in the PRC*

Our Group has interest in the registered capital of various subsidiaries and associates established in the PRC. A summary of the corporate information of such subsidiaries and associates as at the Latest Practicable Date is set out as follows:

(I) Subsidiaries in the PRC

(a) Vastec (Shanghai)[(1)]

Name of the enterprise:	威士達醫療設備(上海)有限公司 (Vastec Medical Equipment (Shanghai) Co., Ltd.)
Registered address:	East Unit, Floor 2, Block 1, No. 18 Aona Road Pilot Free Trade Zone, Shanghai, China
Date of establishment:	3 January 2000
Economic nature:	Wholly foreign-owned enterprise
Registered owner:	Vastec HK
Registered capital:	US$300,000
Attributable interest to our Group:	100%
Term of operation:	3 January 2000 to 2 January 2030

(b) Dacheng (Shanghai)

Name of the enterprise:	達承醫療設備(上海)有限公司 (Dacheng Medical Equipments (Shanghai) Co., Ltd.)
Registered address:	Room 610-614, No. 30 Lane 2419 Hunan Road, Pudong New Area Shanghai, China
Date of establishment:	21 February 2011
Economic nature:	Wholly foreign-owned enterprise
Registered owner:	IVD International
Registered capital:	RMB50,000,000
Attributable interest to our Group:	100%
Term of operation:	21 February 2011 to 20 February 2041

(c) *IVD (Shanghai)*

Name of the enterprise:	艾維德醫療器械(上海)有限公司 (IVD Medical Equipments (Shanghai) Co., Ltd.)
Registered address:	Room 301, Block 2, No. 526 Ruiqing Road Zhangjiang High-tech Park East Zone Shanghai, China
Date of establishment:	6 July 2010
Economic nature:	Wholly foreign-owned enterprise
Registered owner:	IVD China
Registered capital:	US$3,000,000
Attributable interest to our Group:	100%
Term of operation:	6 July 2010 to 5 July 2040

(d) *Suzhou DiagVita*

Name of the enterprise:	蘇州德沃生物技術有限公司 (Suzhou DiagVita Biotechnology Co., Ltd.)
Registered address:	Room 301, Block C7, Bio-Nano Park No. 218 Xinghu Road, Industrial Park Suzhou, China
Date of establishment:	15 July 2011
Economic nature:	Limited liability company
Registered owner:	IVD China and other shareholders(2)
Registered capital:	RMB20,046,519
Attributable interest to our Group:	51%
Term of operation:	Indefinite term commencing from 6 July 2010

(e) *Digital China*

Name of the enterprise:	華圖醫療器械(上海)有限公司 (Digital Images Diagnostic Medical Equipment (Shanghai) Co. Ltd)
Registered address:	Room 701, No. 1725 Huangxing Road Yangpu Area, Shanghai, China
Date of establishment:	3 September 2009
Economic nature:	Wholly foreign-owned enterprise
Registered owner:	Digital HK
Registered capital:	US$200,000
Attributable interest to our Group:	100%
Term of operation:	3 September 2009 to 2 September 2019

(II) Associates of our Group

(a) *Alifax*

Name of the enterprise:	Alifax Diagnostics Co,. Limited (阿利發診斷產品(上海)有限公司)
Registered address:	Room 301-B, No. 6 Lane 299, Bisheng Road Pilot Free Trade Zone, Shanghai, China
Date of establishment:	29 May 2015
Economic nature:	Limited liability company
Registered owner:	Vastec HK and Alifax S.R.L.
Registered capital:	EUR400,000
Attributable interest to our Group:	49%
Term of operation:	29 May 2015 to 28 May 2045

(b) Hunan Ankai Jiade

Name of the enterprise:	湖南安凱嘉德生物醫藥有限公司 (Hunan Ankai Jiade Biotech Co., Ltd.)
Registered address:	Room 604, Unit 1, Block A1, Lugu Yu Garden No. 27 Wenxuan Road, High-tech Development Zone, Changsha, Hunan, China
Date of establishment:	1 August 2012
Economic nature:	Limited liability company
Registered owners:	IVD (Shanghai) and AAICHINA
Registered capital:	RMB7,000,000
Attributable interest to our Group:	48%
Term of operation:	1 August 2012 to 11 July 2062

Notes:

(1) Vastec (Shanghai) has 23 branch offices, namely Vastec (Shanghai) Zhangjiang Branch, Vastec (Shanghai) Wuhan Branch, Vastec (Shanghai) Chongqing Branch, Vastec (Shanghai) Nanchang Branch, Vastec (Shanghai) Chengdu Branch, Vastec (Shanghai) Nanjing Branch, Vastec (Shanghai) Fuzhou Branch, Vastec (Shanghai) Changsha Branch, Vastec (Shanghai) Nanning Branch, Vastec (Shanghai) Hefei Branch, Vastec (Shanghai) Guiyang Branch, Vastec (Shanghai) Hangzhou branch, Vastec (Shanghai) Beijing Branch, Vastec (Shanghai) Zhengzhou Branch, Vastec (Shanghai) Jinan Branch, Vastec (Shanghai) Xi'an Branch, Vastec (Shanghai) Shenyang Branch, Vastec (Shanghai) Changchun Branch, Vastec (Shanghai) Lanzhou Branch, Vastec (Shanghai) Harbin Branch, Vastec (Shanghai) Kunming Branch, Vastec (Shanghai) Shijiazhuang Branch and Vastec (Shanghai) Taiyuan Branch, which were established in the PRC on 28 October 2011, 28 September 2008, 23 August 2010, 27 March 2002, 14 November 2008, 20 May 2009, 16 November 2010, 6 November 2012, 27 November 2013, 12 June 2014, 16 October 2015, 8 October 2016, 13 December 2012, 9 June 2014, 1 September 2011, 28 September 2011, 9 May 2012, 3 July 2014, 30 August 2016, 18 November 2016, 24 May 2018, 18 July 2018 and 29 September 2018, respectively.

(2) IVD China held 51% of the equity interest in Suzhou DiagVita. Among the remaining 49% equity interest in Suzhou DiagVita, 41% is held by R&J Greenventure Co., Limited, 6% is held by Mr. Wu Yifan (a key member of our research team) and 2% is held by Mr. Jiang Beiping (our ex-employee).

7. *Securities repurchase mandate*

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

A resolution in writing was passed by our Shareholders on 21 June 2019, pursuant to which a general unconditional mandate (i.e. the Repurchase Mandate) was granted to our Directors authorising the purchase or repurchase of such number of Shares by our Company on the Stock Exchange or another stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate number of not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting, or when it is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first (the **"Relevant Period"**).

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the Listing Rules, the Cayman Islands Companies Law and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the laws of the Cayman Islands, any repurchases by our Company may be made out of profits of our Company, or out of sums standing to the credit of the share premium accounts, or out of the proceeds of an issue of new Shares made for the purpose of the repurchase or, if authorised by the Memorandum and Articles of Association and subject to the Cayman Islands Companies Law, out of capital, and, in the case of any premium payable on the repurchase, out of either or both of the profits or from sums standing to the credit of its share premium account or, if authorised by its Memorandum and Articles of Association and subject to the Cayman Islands Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that the ability to repurchase our Shares is in the best interest of our Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the Repurchase Mandate to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time, having regard to the circumstances then prevailing and such repurchases will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the Listing Rules, the Cayman Islands Companies Law and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the repurchases under the Repurchase Mandate were to be carried out in full at any time during the Relevant Period, it might have a material adverse impact on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital and/or the gearing position of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

The exercise in full of the Repurchase Mandate, on the basis of 1,333,400,000 Shares in issue immediately after the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), would result in up to 133,340,000 Shares being repurchased by our Company during the Relevant Period.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associate currently intends to sell any Shares to our Company or our subsidiaries. No core connected person of our Company has notified our Company that he/she/it has any present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Memorandum and Articles of Association, the Listing Rules, the Cayman Islands Companies Law and the applicable laws and regulations of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Code on Takeovers and Mergers (the "**Takeovers Code**"). Our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No purchase of Shares has been made by our Company within six months prior to the date of the prospectus.

Our Directors shall not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

8. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the Alifax Diagnostics Co., Ltd. Capital Increase Agreement dated 8 November 2018 entered into between Alifax S.R.L. and Vastec Medical Limited, pursuant to which Alifax S.R.L. and Vastec Medical Limited agreed to contribute an aggregate amount of 100,000 euros to the registered capital of Alifax Diagnostics Co., Ltd.;

(b) a share purchase agreement dated 25 January 2019 entered into between Huatuo International Development Co., Limited and the Company, pursuant to which Huatuo International Development Co., Limited agreed to sell and the Company agreed to purchase 6,000 shares in Vastec Medical Limited, representing 60% of the issued share capital of Vastec Medical Limited;

(c) an amended and restated shareholders' agreement relating to the Company dated as of 18 May 2016 and amended and restated as of 25 January 2019 entered into between North Haven Private Equity Asia IVD Company Limited ("NHPE"), Mr. Ho Kuk Sing, Mr. Leung King Sun, Mr. Lin Xian Ya, King Sun Limited, KS&KL Investment Co. Limited, Lucan Investment Limited, Huatuo International Development Co., Limited and the Company, pursuant to which NHPE, Mr. Ho Kuk Sing, Mr. Leung King Sun, Mr. Lin Xian Ya, King Sun Limited, KS&KL Investment Co. Limited, Lucan Investment Limited, Huatuo International Development Co., Limited and the Company agreed to amend and restate a shareholders' agreement dated 18 May 2016 entered into between NHPE, Mr. Ho Kuk Sing, Mr. Leung King Sun, Mr. Lin Xian Ya, King Sun Limited, KS&KL Investment Co. Limited, Lucan Investment Limited, Huatuo International Development Co., Limited and the Company;

(d) the Founding Group Deed of Non-competition;

(e) the Shinva Group Deed of Non-competition;

(f) the Deed of Indemnity; and

(g) the Hong Kong Underwriting Agreement.

9. Exemption from requirement of a property valuation report

For the purpose of Chapter 5 of the Listing Rules, as no single property interest which formed part of our non-property activities had a carrying amount of 15% or more of our total assets, this prospectus is not required to include any valuation report of our property interests.

Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our Group's assets in land or buildings.

10. Intellectual property rights of our Group

(a) Invention patents

As at the Latest Practicable Date, we have registered the following invention patents in China which are material to our business:

No.	Patent name	Patent certificate No.	Expiry date	Patentee
1.	An integrated biochemical reaction device (一種生物化學反應一體裝置)	ZL 2011 1 0443041.4	27 December 2031	Suzhou DiagVita
2.	A method for calibrating immunoturbidimeter and nanoscale used and immunoturbidimeter (一種校準免疫比濁儀的方法與所用納米尺和免疫比濁儀)	ZL 2012 1 0081293.1	26 March 2032	Suzhou DiagVita
3.	A CRP latex-enhanced immunoturbidimetric assay reagent and kit (一種CRP膠乳增強免疫比濁測定試劑及其試劑盒)	ZL 2013 1 0079651.X	13 March 2033	Suzhou DiagVita
4.	A method for producing calibrating-oriented immune nano-particles and application thereof (一種定向目標記免疫納米微球的製備方法及其應用)	ZL 2013 1 0082103.2	14 March 2033	Suzhou DiagVita
5.	Ultra-sensitivity emulsion-enhanced immunoturbidimetric detection reagent, detection method and application thereof (超敏乳膠增強免疫比濁檢測試劑及其檢測方法和應用)	ZL 2015 1 0894878.9	8 December 2035	Suzhou DiagVita
6.	Automatic multi-channel biochemical detection device and detection method (全自動多通道生化檢測裝置及其檢測方法)	ZL 2015 1 0902612.4	9 December 2035	Suzhou DiagVita

(b) Utility model patents

As at the Latest Practicable Date, we have registered the following utility model patents in China which are material to our business:

No.	Patent name	Patent certificate No.	Expiry date	Patentee
1.	A POCT specific protein analysis system (一種POCT特定蛋白分析系統)	ZL 2014 2 0144229.8	27 March 2024	Suzhou DiagVita
2.	An electromagnetic stirring device (一種電磁攪拌裝置)	ZL 2014 2 0143484.0	27 March 2024	Suzhou DiagVita
3.	Instant test list (即時檢測試劑盒)	ZL 2015 2 1018382.7	9 December 2025	Suzhou DiagVita
4.	A urine sample preprocessor (一種尿液樣品前處理器)	ZL 2016 2 1210920.7	10 November 2026	Suzhou DiagVita

(c) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademarks	Registration No.	Validity period	Class	Place of registration	Registered owner
1.		304061673	1 March 2017 to 28 February 2027	5, 10, 35, 42, 44(1)	Hong Kong	Company
2.		16172983	21 July 2016 to 20 July 2026	5(2)	China	IVD (Shanghai)
3.		16173160	14 September 2016 to 13 September 2026	44(3)	China	IVD (Shanghai)
4.		21379730	14 November 2017 to 13 November 2027	10(4)	China	IVD (Shanghai)

No.	Trademarks	Registration No.	Validity period	Class	Place of registration	Registered owner
5.	IVD	8543318	14 August 2011 to 13 August 2021	10[4]	China	IVD (Shanghai)
6.	iCRP-Auto	23402176	7 April 2018 to 6 April 2028	10[4]	China	IVD (Shanghai)
7.		19189074	7 April 2017 to 6 April 2027	39[6]	China	Dacheng (Shanghai)
8.	达承	19189417	14 June, 2017 to 13 June, 2027	44[3]	China	Dacheng (Shanghai)
9.		19189115	14 June 2017 to 13 June 2027	42[7]	China	Dacheng (Shanghai)
10.		19189090	14 June 2017 to 13 June 2027	35[5]	China	Dacheng (Shanghai)
11.	达承	19189333	14 June 2017 to 13 June 2027	42[7]	China	Dacheng (Shanghai)
12.	达承	19189122	14 June 2017 to 13 June 2027	35[5]	China	Dacheng (Shanghai)
13.	达承	19189175	7 April 2017 to 6 April 2027	39[6]	China	Dacheng (Shanghai)
14.	PCHEM	15376050	28 October 2015 to 27 October 2025	5[2]	China	Digital China
15.	UCHEM	16270640	21 October 2016 to 20 October 2026	10[4]	China	Digital China
16.	Neph-EZ	13198043	7 March 2015 to 6 March 2025	10[4]	China	Suzhou DiagVita

No.	Trademarks	Registration No.	Validity period	Class	Place of registration	Registered owner
17.	iCRP-Auto	23402487	21 March 2018 to 20 March 2028	35(5)	China	IVD (Shanghai)
18.	iCardiac-Auto	23402258	21 March 2018 to 20 March 2028	35(5)	China	IVD (Shanghai)
19.	VASTEC	16143521A	7 May 2016 to 6 May 2026	5(2)	China	Vastec (Shanghai)
20.	VASTEC	16143791	21 June 2016 to 20 June 2026	35(5)	China	Vastec (Shanghai)
21.	VASTEC	16144019	21 June 2016 to 20 June 2026	44(3)	China	Vastec (Shanghai)

Notes:

(1) The specific goods under class 5 in respect of which the trademark was registered are medical preparations; in vitro diagnostic reagents. The specific goods under class 10 in respect of which the trademark was registered are clinical and medical testing equipment; in vitro diagnostic apparatus and instruments. The specific goods under class 35 in respect of which the trademark was registered are promotion through exhibition, convention, internet, brochure and medical professional journals. The specific goods under class 42 in respect of which the trademark was registered are design and develop of software to fit in the in vitro diagnostic apparatus and instruments. The specific goods under class 44 in respect of which the trademark was registered are diagnose testing services for use in laboratories, clinics, hospitals that help doctors diagnose patients with any medical indication that shows a deviation from what is known to be 'normal' in a certain population, and for medical care, medical consultation, medical assistance and health care.

(2) The specific goods under class 5 in respect of which the trademark was registered are pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic food and substances adapted for medical or veterinary use, food for infants; dietary supplements for humans and animals; plasters, materials for dressings; materials for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.

(3) The specific goods under class 44 in respect of which the trademark was registered are medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.

(4) The specific goods under class 10 in respect of which the trademark was registered are surgical, medical, dental and veterinary apparatus and instruments; artificial limbs, eyes and teeth; orthopaedic articles; suture materials.

(5) The specific goods under class 35 in respect of which the trademark was registered are advertising; business management; business administration; office functions.

(6) The specific goods under class 39 in respect of which the trademark was registered are transport; packaging and storage of goods; travel arrangement.

(7) The specific goods under class 42 in respect of which the trademark was registered are scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

(d) Domain name

As at the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Registrant	Date of registration	Expiry date
1.	ivd-china.com	IVD (Shanghai)	27 August 2010	27 August 2019
2.	dachengsh.com	Dacheng (Shanghai)	10 November 2014	10 November 2021
3.	diagvita.com	Suzhou DiagVita	9 August 2011	9 August 2021
4.	vastec.com.cn	Vastec (Shanghai)	29 October 2001	29 October 2022
5.	didchina.com	Digital China	1 September 2009	1 September 2020
6.	ivdholding.com	The Company	22 July 2016	22 July 2019

11. Connected transactions and related party transactions

Except as disclosed in "Connected Transactions" in this prospectus and in note 28 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

12. Directors

(a) Disclosure of interests of our Directors

(i) Each of Mr. Ho, Mr. Leung, Mr. Lin, Mr. Chen Xingang, Mr. Yang Zhaoxu and Mr. Chan Kwok King, Kingsley is interested in the Reorganisation, the Pre-IPO Investments and the transactions contemplated under the material contracts as set out in the paragraph headed "– Further Information about the Business of Our Company – 8. Summary of material contracts" in this Appendix.

(ii) Except as disclosed in this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years immediately preceding the date of this prospectus.

(b) Particulars of Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective basic salaries set out below. The current basic annual salaries of our executive Directors payable under their service contracts are as follows:

Name	Approximate annual salary
	(RMB)
Mr. Ho Kuk Sing	3,699,720
Mr. Leung King Sun	2,564,400
Mr. Lin Xianya	2,160,000

Non-executive Directors

Each of our non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than three months' written notice to the other pursuant to a letter of appointment. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. None of our non-executive Directors is expected to receive any remuneration for holding his office as a non-executive Director.

Independent non-executive Directors

Each of our independent non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than three months' written notice to the other pursuant to a letter of appointment. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of our independent non-executive Directors is entitled to their respective basic salaries set out below:

Name	Approximate annual salary
	(RMB)
Mr. Lau Siu Ki	264,000
Mr. Zhong Renqian	120,000
Mr. Leung Ka Sing	120,000

Except for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Except as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by our employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors remuneration

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the years ended 31 December 2016, 2017 and 2018 were approximately RMB1,560,000, RMB1,811,000 and RMB1,550,000, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (excluding our non-executive Director but including our independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2019 are expected to be approximately RMB8.9 million.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the years ended 31 December 2016, 2017 and 2018 (i) as an inducement to join or upon joining our Group. or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 December 2016, 2017 and 2018.

(d) Interests and/or short positions of Directors in the shares, underlying shares or debentures of our Company and its associated corporations

Immediately after the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-Allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), the interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once our Shares are listed, will be as follows:

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

Notes:

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

(2) Mr. Ho is the sole shareholder of KS&KL which holds 175,517,429 Shares. Therefore, Mr. Ho is deemed to be interested in KS&KL's interest in our Shares pursuant to the SFO. The disclosed interest represents (i) the interest in our Company held by KS&KL; and (ii) options held by Mr. Ho under the ESOP.

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

(4) Mr. Lin is the sole shareholder of Lucan Investment which holds 112,664,041 Shares. Therefore, Mr. Lin is deemed to be interested in Lucan Investment's interest in our Shares pursuant to the SFO. The disclosed interest represents (i) the interest in our Company held by Lucan Investment; and (ii) options held by Mr. Lin under the ESOP.

(5) By virtue of the Common Control Confirmation, the Founding Group comprising Mr. Ho, Mr. Leung and Mr. Lin and their respective wholly-owned investment holding companies, namely KS&KL, King Sun and Lucan Investment, will collectively continue to own and control approximately 34.78% of the issued share capital of our Company upon Listing and will be a group of Controlling Shareholders.

13. Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately after the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the paragraph headed "– 12. Directors" above, the following persons will have an interest or a short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of shareholding
KS&KL[2]	Beneficial owner	175,517,429(L)	13.16%
King Sun[3]	Beneficial owner	175,517,429(L)	13.16%
Shinva[4]	Interest in a controlled corporation	443,654,371(L)	33.27%
Huatuo[4]	Beneficial owner	443,654,371(L)	33.27%

Notes:

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

(2) Mr. Ho is the sole shareholder of KS&KL which holds 175,517,429 Shares. Therefore, Mr. Ho is deemed to be interested in KS&KL's interest in our Shares pursuant to the SFO.

(3) Mr. Leung is the sole shareholder of King Sun which holds 175,517,429 Shares. Therefore, Mr. Leung is deemed to be interested in King Sun's interest in our Shares pursuant to the SFO.

(4) Huatuo is a company incorporated under the laws of Hong Kong on 28 March 2011, which holds 443,654,371 Shares and is wholly owned by Shinva. Therefore, Shinva is deemed to be interested in Huatuo's interest in our Shares pursuant to the SFO.

14. Disclaimers

Except as disclosed in this prospectus:

(a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately after the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme) will have an interest or a short position in our Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they are taken or is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in the paragraph headed "– Other Information – 23. Qualifications of experts" in this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in the paragraph headed "– Other Information – 23. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and

(e) except in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "– Other Information – 23. Qualifications of experts" in this Appendix:

  (i) is interested legally or beneficially in any securities of any member of our Group; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

15. Share Option Schemes

A. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on 21 June 2019.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (the "**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any Directors (including Non-executive Director and Independent Non-executive Directors) of our Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:

(aa) contribution to the development and performance of our Group;

(bb) quality of work performed for our Group;

(cc) initiative and commitment in performing his/her duties; and

(dd) length of service or contribution to our Group.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 133,340,000 Shares (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue (the "**New Scheme Limit**") as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option

Scheme and any other share option schemes of our Company but subsequently cancelled (the "**Cancelled Shares**")) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the exercise price of our Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the notice given by the grantee in respect of the exercise of the option;

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and

(ii) such other terms and conditions (including, without limitation, any minimum period for which an option shall be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

(f) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

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

(iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a Director, Non-executive Director, chief executive or Substantial Shareholder of our Company or any of their respective associates is required to be approved by the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the options). If the Board proposes to grant options to a Substantial Shareholder or any Independent Non-executive Director or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the approval of the Independent Non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the Independent Non-executive Directors (excluding any Independent Non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of Options

An offer of the grant of an option may not be made after inside information has come to the knowledge of our Company until the information has been announced in accordance with the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules);

and ending on the actual date of publication of the results announcement for such year, half year, quarterly or interim period (as the case may be).

(i) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name those Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the Listing Date. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Listing Date.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:

(i) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph (m) below, the option to the extent not already exercised on the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his employment with our Group or any related entities, the last actual working day with our Group or the related entity whether salary is paid in lieu of notice or not) shall lapse automatically on the date of cessation; or

(ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Group under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the options in full (to the extent not already exercised).

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has become insolvent, bankrupt or has made any arrangements or compromises with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable on and after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the Business Day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full (but only upon the extent not already exercised).

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects with and shall have the same voting, dividend, transfer and other rights including those arising on liquidation of our Company as attached to the other fully-paid Shares in issue on the date of issue, save that they will not rank for any rights for dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of allotment.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the exercise price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by our Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (n), (o) or (p);

(iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's termination of his relationship on the grounds that he has been guilty of serious misconduct, or has become insolvent, bankrupt or has made arrangements or compromises with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date upon which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted;

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme must still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or our Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise;

(iii) passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Share Option Scheme and to authorise our Board to grant options under the Share Option Scheme and to allot and issue Shares pursuant to exercise of any options; and

(iv) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the Adoption Date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 133,340,000 Shares in total.

B. ESOP

(a) Summary

The following is a summary of the principal terms of the ESOP of our Company as approved by the Board on 29 December 2017 and further amended by the Board on 27 March 2019. The terms of the ESOP are not subject to the provisions of Chapter 17 to the Listing Rules as the ESOP will not involve the grant of options by our Company to subscribe for ordinary Shares with a par value of US$0.0005 each once we have become a listed issuer.

(i) Purpose

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

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

(ii) Who may join

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

(iii) Maximum number of ordinary Shares with a par value of US$0.0005 each

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

(iv) Administration

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

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

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

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

(4) approve forms of Management Option Agreement (as defined below) for use under the ESOP;

(5) determine the terms and conditions of any Master Option or Management Option granted under the ESOP (including the Notice of Management Option Grant (as defined below) or any option agreement evidencing the grant of a Master Option or a Management Option executed by the Company and the Management Option Grantee);

(6) amend the terms of any outstanding Master Option or Management Option granted under the ESOP, provided that any amendment that would materially and adversely affect the Master Option Grantee's or the Management Option Grantee's rights under an outstanding Master Option or Management Option shall not be made without the Master Option Grantee's and/or the Management Option Grantee's written consent;

(7) construe and interpret the terms of the ESOP and the Master Options and Management Options, including, without limitation, any notice of award or option agreement granted pursuant to the ESOP;

(8) grant Management Options to employees, officers and Directors on such terms and conditions different from those specified in the ESOP as may, in the judgment of the Administrator, be necessary or desirable to further the purpose of the ESOP; and

(9) take such other action not inconsistent with the terms of the ESOP as the Administrator deems appropriate.

(v) Option grants

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

(vi) Terms of the ESOP

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

(vii) Exercise of option

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

(i) if the consolidated net income attributable to equity shareholders of our Company, after tax and minority interest (and excluding any extraordinary or one-time income or gain) of our Company on a consolidated basis meets the respective target as set out below (the "**Net Income Target**") in such calendar year, 20% of the Management Options (whenever granted) will vest and become exercisable:

Year	**2017**	**2018**	**2019**	**2020**	**2021**
Net Income Target *(RMB million)*	110	130	281	325	375

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

(viii) Exercise price

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

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

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

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

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

(3) in the absence of an established market for the Shares of the type described in (1) and (2) above, the Fair Market Value thereof shall be determined by the Administrator in good faith.

The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be adjusted to make an appropriate discount from the market value determined as above in sub-clauses (1), (2) or (3) to reflect the fair market value thereof as determined in good faith by the Administrator or by a liquidator if one is appointed.

(ix) No transferability

Except as otherwise provided in the Management Option Agreement, the Management Option and the rights and privileges conferred thereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

(x) Rights on Event of Forfeiture

No portion of the Management Option may be exercisable by the Management Option Grantee and the entire option, whether or not vested, shall be forfeited and terminated in its entirety and the Management Option Grantee shall have no further rights with respect thereto, if the Administrator (in its sole discretion) determines that such Management Option Grantee has violated (A) the non-compete obligations described in the non-competition agreement and/or the employment contract entered into between the Management Option Grantee and our Company or any Related Entity (as defined below), (B) any other material obligations under the Management Option Agreement, the aforesaid non-competition agreement and/or employment contract, or (C) if a Management Option Grantee is terminated for cause as defined under his/her employment agreement or applicable law (a "**Cause**") or the Administrator determines that such Cause has occurred (each of the events under (A), (B) or (C), an "**Event of Forfeiture**").

If the Administrator (in its sole discretion) determines that any Event of Forfeiture occurs, our Company shall have the right and option (the "**Call Option**"), but not the obligation, to purchase from the Management Option Grantee beneficial interest in any or all of the Shares acquired by such Management Option Grantee through the exercise of the Management Option pursuant to the Management Option Agreement and the ESOP. The Call Option purchase price shall be the exercise price as specified in the Notice of Management Option Grant.

Notwithstanding the foregoing, regardless of whether the Shares subject to the Management Option have otherwise become exercisable, the Management Option may not be exercised if the Administrator (in its sole discretion) determines that the exercise of the Management Option could violate any applicable law or regulation.

"**Related Entity**" means any subsidiary of our Company and any business, corporation, partnership, limited liability company or other entity in which our Company or a subsidiary of our Company holds a substantial ownership interest, directly or indirectly.

(xi) Rights on termination of service

If the Management Option Grantee's services terminate for any reason, the Management Option shall, unless forfeited earlier as a result of a violation of applicable law or regulation, expire on the earliest of the following occasions:

(1) the expiration date determined pursuant to Section (a)(vi) above;

(2) the date that is 30 days after the termination of the Management Option Grantee's services for any reason other than disability or death; or

(3) the date that is 60 days after the termination of the Management Option Grantee's services by reason of disability or death.

The Management Option Grantee may exercise all or part of the Management Option at any time before its expiration under the preceding sentence, but only to the extent that the Management Option had become exercisable before the Management Option Grantee's services are terminated. When the Management Option Grantee's services terminate, the Management Option shall expire immediately with respect to the number of Shares for which the Management Option is not yet exercisable. The Management Option will not become exercisable for any additional Shares following the date on which the Management Option Grantee ceases to provide services. In the event that the Management Option Grantee dies after termination of services but before the expiration of the Management Option, all or part of the Management Option may be exercised (prior to expiration) by the executors or administrators of the Management Option Grantee's estate or by any person who has acquired the Management Option directly from the Management Option Grantee by beneficiary designation, bequest, inheritance or other transfer, but only to the extent that the Management Option had become exercisable before the Management Option Grantee's services terminate.

(xii) Rights on death

In the event that the death of the Management Option Grantee causes the termination of services by the Management Option Grantee and the death of the Management Option Grantee occurs before the expiration of the Management Option, all or part of the Management Option may be exercised at any time before its expiration under Section (a)(xi)(3) by the executors or administrators of the Management Option Grantee's estate or by any person who has acquired the Management Option directly from the Management Option Grantee by beneficiary designation, bequest, inheritance or other transfer, but only to the extent that the Management Option had become exercisable before the Management Option Grantee's death. When the Management Option Grantee dies, the Management Option shall expire immediately with respect to the number of Shares for which the Management Option is not yet exercisable.

(xiii) Adjustments upon change in capitalisation

Subject to any required action by the Shareholders, the number of Shares covered by the outstanding Master Option or beneficial interest therein covered by each Management Option, and the number of Shares which have been authorised for issuance under the ESOP but as to the beneficial interest of which no Management Option has yet been granted or which has been returned to the ESOP, the exercise or purchase price of such outstanding Master Option or each Management Option, the maximum number of Shares or beneficial interest therein with respect to which the Master Option or Management Options may be granted to any Management Option Grantee in any fiscal year of our Company, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a share split, reverse share split, share dividend, combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by our Company, or (iii) as the Administrator may determine in its discretion, any other transaction with respect to the Shares including a corporate merger, consolidation, acquisition of property or equity, separation (including a spin-off or other distribution of shares or property), reorganisation, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of our Company (or adjustment of their conversion price) shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Administrator, and its determination shall be final, binding and conclusive.

Except as the Administrator determines, no issuance by our Company of Shares of any class, or securities convertible into Shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to a Master Option or beneficial interest therein subject to the Management Option. In the event of a distribution by our Company to its Shareholders of all or any portion of the securities of any subsidiary of our Company (a "**Spin-off Transaction**"), the Administrator may in its discretion make such adjustments and take such other action as it deems appropriate with respect to the outstanding Master Option or Management Options under the ESOP, including (i) adjustments to the number and kind of Shares, the exercise or purchase price per Share and the vesting periods of the outstanding Master Option or Management Options, (ii) prohibition of the exercise of the Master Option or Management Options during certain periods of time prior to the consummation of the Spin-off Transaction, or (iii) the substitution, exchange or grant of the Master Option or Management Options to purchase securities of the subsidiary of our Company; provided that the Administrator shall not be obligated to make any such adjustments or take any such action thereunder.

(xiv) Lock-up of Shares and further restrictions on transfer of Shares upon exercise of Management Option

The Shares acquired upon exercise of the Management Option or beneficial interest in such Shares is not transferrable (other than upon the death of the Management Option Grantee, to his or her estate) until the first anniversary of the completion of the initial public offering of the Shares ("**IPO**") or a sale of control of our Company or substantially all of its assets and business.

In the case of an IPO, the Management Option Grantee shall enter into any agreements with any underwriter, coordinator, banker or sponsor elected by our Company for the purpose of the IPO, and the Management Option Grantee shall grant to the then current chief executive officer or other authorised officer of our Company a power of attorney to enter into any agreement with any underwriter, coordinator, banker or sponsor elected by our Company and to do and carry out all acts and to sign all documents necessary or advisable to complete the IPO.

(xv) Amendment, modification and termination

The Board may at any time amend, suspend or terminate the ESOP; provided, however, that no such amendment shall be made without the approval of the Shareholders to the extent such approval is required by applicable laws, or if such amendment would change any of the provisions of Section (a) (iv)(6) or this Section (a)(xv). No Master Option or Management Option may be granted during any suspension of the ESOP or after termination of the ESOP. No suspension or termination of the ESOP (including termination of the ESOP under Section (a)(vi) above) shall materially adversely affect any rights under the Master Option or a Management Option already granted to a Management Option Grantee.

Effective upon the consummation of a Corporate Transaction (as defined below), the outstanding Master Option and all Management Options under the ESOP shall terminate. However, all such options shall not terminate to the extent they are Assumed (as defined below) in connection with the Corporate Transaction.

"**Assumed**" means that pursuant to a Corporate Transaction, either (i) the Master Option and the Management Option is expressly affirmed by the Company, or (ii) the contractual obligations represented by the Master Option and the Management Option are expressly assumed (and not simply by operation of law) by the successor entity or its parent company (other than our Company) in connection with the Corporate Transaction with appropriate adjustments to the number and type of securities of the successor entity or its parent company (other than our Company) subject to the Master Option and the Management Option and the exercise or purchase price thereof which at least preserves the compensation element of the Master Option and the Management Option existing at the time of the Corporate Transaction as determined in accordance with the instruments evidencing the agreement to assume the Master Option and the Management Options.

"**Corporate Transaction**" means any of the following transactions, provided, however, that the Administrator shall determine under parts (iv) and (v) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(1) a merger or consolidation in which our Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which our Company is incorporated;

(2) the sale, transfer or other disposition of all or substantially all of the assets of our Company and its subsidiaries;

(3) the complete liquidation or dissolution of our Company;

(4) any reverse merger or series of related transactions culminating in a reverse merger (including, but not limited to, a tender offer followed by a reverse merger) in which the Company is the surviving entity but (A) the Shares outstanding immediately prior to such merger are converted or exchanged by virtue of the merger into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than 50% of the total combined voting power of our Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger or the initial transaction culminating in such merger, but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction; or

(5) acquisition in a single or series of related transactions by any person or related group of persons (other than our Company or by a Company-sponsored employee benefit plan) of beneficial ownership of securities possessing more than 50% of the total combined voting power of our Company's outstanding securities but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction.

(b) Outstanding options granted

The proposal to grant the options under the ESOP to the Master Option Grantee and the Management Option Grantee as set out below has been approved by the Board on 29 December 2017 and amended by the Board on 27 March 2019. The overall limit on the number of underlying Shares pursuant to the exercise of the options granted under the ESOP is 32,507,627 Shares, representing approximately 2.44% of the issued Shares immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme). On 29 December 2017, the Board granted the Master Option to the Master Option Grantee to purchase the Total Option Shares, being 32,507,627 Shares, under the ESOP.

The exercise price of all of the Management Options granted under the ESOP is RMB1.69 per Share. A consideration of RMB0.1 is to be paid by each Management Option Grantee upon acceptance of the Management Option. As at the Latest Practicable Date, no Management Option has been granted by the Master Option Grantee to the Management Option Grantees. The Board intends to grant all of the Management Options under the ESOP prior to the Listing.

No further option will be granted under the ESOP upon Listing.

Prior to Listing, the Management Options will be granted to the executive Directors in the following manner:

Name(1)	Address	Position	Number of underlying Shares subject to ESOP (as adjusted for the Capitalisation Issue)	Approximate percentage of issued share capital of our Company immediately upon Listing(2)
Ho Kuk Sing (何鞠誠)	Room 1602, No. 5 Lane 2580, Jin Xiu Road Shanghai China	Chairman, executive Director and Chief Executive Officer	20,479,805	1.54%
Leung King Sun (梁景新)	Flat A, 18/F No. 1 Sai Wan Terrace Sai Wan Ho Hong Kong	Executive Director and Chief Operating Officer	3,900,915	0.29%
Lin Xianya (林賢雅)	Room 2502, BLK 1 Alley 680, Shui Cheng Road Chang Ning District Shanghai China	Executive Director and General Manager	8,126,907	0.61%
Total			32,507,627	2.44%

Notes:

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

(2) These percentages are calculated on the basis of 1,333,400,000 Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme).

Based on the number of issued Shares immediately following completion of the Global Offering and Capitalisation Issue (without taking into account any Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option or the options granted or to be granted under the ESOP or the Share Option Scheme), full exercise of the options under the ESOP would result in the issued share capital of our Company being increased by approximately 2.44%, hence diluting the shareholdings of our Shareholders. Assuming all the Management Options had been exercised but without taking into account any Shares which may be allotted, issued or sold upon the exercise of the Over-allotment Option, this will have a dilutive effect on (i) the shareholdings of the Shareholders of approximately 2.38%, and (ii) earnings per Share of approximately 2.38%. As at the date of this prospectus, none of the options under the ESOP had been exercised by the Management Option Grantees.

Application has been made to the Stock Exchange for the listing of and permission to deal in Shares to be issued pursuant to the exercise of the options under the ESOP.

16. Estate duty, tax and other indemnity

Mr. Ho, Mr. Leung, Mr. Lin, KS&KL, King Sun, Lucan Investment, Huatuo and Shinva (the "**Indemnifiers**") have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for the benefit of each of its subsidiaries) (being the material contract (f) referred to in the paragraph headed "– Further Information about the Business of Our Company – 8. Summary of material contracts" in this Appendix) to provide indemnities to each member of our Group on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date;

(b) any tax liabilities (including all costs, interests, penalties, charges, fines and expenses incidental or relating to the liability to taxation) on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Listing Date or any transaction, matter, thing, event, act or omission occurring or deemed to occur on or before such date, whether alone or in conjunction with any other transaction, matter, thing, event, act, omission or circumstance whenever occurring, and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

(c) any liability which are suffered by our Group in connection with the incidents of non-compliance with applicable laws and requirements referred to in the paragraph headed "Business – Regulatory compliance and legal proceedings" in this prospectus; and

(d) any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the Reorganisation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any liability:

(a) to the extent that provision or reserve has been made for the relevant taxation or liability in the audited consolidated accounts of our Group or the audited accounts of the relevant member of our Group for an accounting period ended on or before 31 December 2018;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 January 2019 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or

(c) to the extent that the relevant taxation or liability arises or is incurred as a result of any change in the laws, rules or regulations, or the interpretation or practice thereof by any statutory or government authority in Hong Kong, China or any part of the world, including but without limitation the Hong Kong Inland Revenue Department, having retrospective effect coming into force after the date of the Deed of Indemnity or to the extent that such liability arises or is increased by an increase in rates of taxation, payments, fines, fees or premium as required by PRC laws and regulations (as the case may be) after the date hereof with retrospective effect (except for the imposition of or an increase in the rate of Hong Kong profits tax or any tax of any part of the world on the profits of companies for the current or any earlier financial period);

(d) to the extent that the relevant taxation or liability is discharged by another person who is not a member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge of the liability; or

(e) to the extent of any provision or reserve made for the relevant taxation or liability in the audited accounts referred to in (a) above which is finally established to be an over-provision or an excessive reserve, in which case the liability of the Indemnifiers in respect of such taxation or liability shall be reduced by an amount not exceeding such provision or reserve provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the liability of the Indemnifiers in respect of the relevant taxation or liability shall not be available in respect of any such liability arising thereafter.

17. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

18. Preliminary expenses

The preliminary expenses of our Company were approximately HK$1,720 and were paid by our Company.

19. Promoters

(a) Our Company has no promoter.

(b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoters named in sub-paragraph (a) above in connection with the Global Offering or the related transactions described in this prospectus.

20. Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

21. Agency fees or commissions received

The Underwriters will receive a commission of 3.0% of the aggregate Offer Price in respect of all of the Offer Shares. The Sole Sponsor will also receive an aggregate sponsor fee of HK$5.5 million.

22. Application for Listing of Shares

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any options granted or to be granted under the ESOP or the Share Option Scheme.

All necessary arrangements have been made to enable the securities to be admitted into CCASS.

23. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
BOCI Asia Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jingtian & Gongcheng	Legal adviser to our Company as to the PRC laws
Conyers Dill & Pearman	Legal adviser to our Company as to the Cayman Islands laws
Ernst & Young	Certified Public Accountants
Frost & Sullivan	Industry consultant

24. Consents of experts

Each of the experts named above has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

25. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

26. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty other than in respect of companies that hold an interest in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

27. Miscellaneous

(a) Except as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) our Group does not have any outstanding convertible debt securities or debentures;

(b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2018 (being the date to which the latest combined financial statements of our Group were made up);

(c) no equity or debt securities of our Company is listed or dealt in on any stock exchange, nor is any listing or permission to deal being or proposed to be sought;

(d) the Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;

(e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and

(f) there is no arrangement under which future dividends are waived or agreed to be waived.

28. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed "Other Information – 24. Consents of experts" in Appendix V to this prospectus, and certified copies of the material contracts referred to in the paragraph headed "Further Information about the Business of Our Company – 8. Summary of material contracts" in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Mayer Brown at 18th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong, during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles;

(b) the accountants' report issued by Ernst & Young in respect of the historical financial information of our Original Group for the years ended 31 December 2016, 2017 and 2018, the text of which is set out in Appendix I to this prospectus;

(c) the accountants' report issued by Ernst & Young in respect of the historical financial information of Vastec for the years ended 31 December 2016, 2017 and 2018, the text of which is set out in Appendix II to this prospectus;

(d) the report on the unaudited pro forma financial information of our Group and the Enlarged Group, respectively, from Ernst & Young, the text of which is set out in Appendix III to this prospectus;

(e) the consolidated audited financial statements of our Group for the years ended 31 December 2016, 2017 and 2018;

(f) the consolidated audited financial statements of Vastec for the years ended 31 December 2016, 2017 and 2018;

(g) the Companies Law;

(h) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Companies Law referred to in Appendix IV to this prospectus;

(i) the legal opinions issued by Jingtian & Gongcheng in respect of certain aspects of our Group and summary of PRC laws and regulations relating to our business;

(j) the industry report prepared by Frost & Sullivan as referred to in the section headed "Industry Overview" in this prospectus;

(k) the material contracts referred to in the paragraph headed "Statutory and General Information – Further Information about the Business of our Company – 8. Summary of material contracts" in Appendix V to this prospectus;

(l) the written consents referred in to the paragraph headed "Statutory and General Information – Other Information – 24. Consents of experts" in Appendix V to this prospectus;

(m) the ESOP and the Share Option Scheme; and

(n) the service contracts and letters of appointment referred to in the paragraph headed "Statutory and General Information – Further Information about Directors and Shareholders – 12. Directors" in Appendix V to this prospectus.

IVD Medical Holding Limited
華檢醫療控股有限公司