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IVD Medical Holding Limited

華檢醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1931)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

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

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

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

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

The Directors have resolved to recommend the payment of a final dividend of HK5.366 cents per share for the year ended 31 December 2019.

The board (the "Board") of directors (the "Directors") of IVD Medical Holding Limited (the "Company") is pleased to announce the financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 as below.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB '000
REVENUE	4	2,332,740	413,635
Cost of sales	_	(1,889,862)	(296,964)
GROSS PROFIT		442,878	116,671
Other income and gains	5	28,355	5,946
Gain on remeasurement of pre-existing			
interest in an associate	15	208,759	_
Selling and distribution expenses		(96,620)	(11,631)
Administrative expenses		(124,676)	(54,696)
Other expenses		(114,570)	(328)
Finance costs	6	(7,784)	_
Initial public offering expenses		(41,490)	(12,534)
Share of profits or losses of associates, net		2,379	76,529
Impairment loss of trade receivables	_	(291)	(2,335)
PROFIT BEFORE TAX	7	296,940	117,622
Income tax expense	8 _	(42,121)	(18,114)
PROFIT FOR THE YEAR	=	254,819	99,508
OTHER COMPREHENSIVE INCOME/(LOSS) Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: Exchange differences on translation of foreign operations		(7,969)	(7,209)
Share of other comprehensive income/(loss) of		(1,505)	(7,20))
an associate	_	771	(465)
	_	(7,198)	(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		5,359	11,278
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	_	(1,839)	3,604
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	=	252,980	103,112

	Notes	2019 RMB'000	2018 RMB'000
Profit/(loss) attributable to:			
Owners of the parent Non-controlling interests		275,001 (20,182)	103,440 (3,932)
6			
		254,819	99,508
Total comprehensive income/(loss) attributable to	:		
Owners of the parent		273,347	107,532
Non-controlling interests		(20,367)	(4,420)
		252,980	103,112
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			(Restated)
Basic (RMB cents)	10	24.25	16.75
Diluted (RMB cents)	10	21.48	16.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		83,776	41,815
Intangible assets		1,635,885	34,693
Investments in associates		4,270	595,326
Deferred tax assets	-	3,459	1,639
Total non-current assets	-	1,727,390	673,473
CURRENT ASSETS			
Inventories		618,892	51,408
Trade receivables	11	390,430	162,350
Prepayments and other receivables		212,290	14,316
Amounts due from associates		1,141	22,292
Amounts due from shareholders		1,296	837
Amounts due from related parties		299	_
Pledged deposits		7,651	_
Cash and cash equivalents	-	910,871	115,364
Total current assets	-	2,142,870	366,567
CURRENT LIABILITIES			
Trade and bills payables	12	339,193	36,454
Other payables and accruals	13	127,972	12,377
Interest-bearing bank borrowings		273,531	_
Amounts due to shareholders		49,268	320
Amounts due to related parties		3,507	_
Tax payable	-	68,496	20,611
Total current liabilities	-	861,967	69,762
NET CURRENT ASSETS	-	1,280,903	296,805
TOTAL ASSETS LESS CURRENT LIABILITIES	-	3,008,293	970,278

	Notes	2019 RMB'000	2018 RMB '000
NON-CURRENT LIABILITIES Deferred tax liabilities Other payables and accruals	13	195,806 6,314	14,551
Total non-current liabilities	-	202,120	14,551
Net assets	:	2,806,173	955,727
EQUITY Share capital Reserves	14 -	4,569 2,814,097 2,818,666	171 948,307 948,478
Non-controlling interests	-	(12,493)	7,249
Total equity	:	2,806,173	955,727

NOTES TO 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 principal place of business of the Company is located at Room 1703, Grandtech Centre, 8 On Ping Street, Shatin, Hong Kong. The shares of the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2019 (the "Listing").

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the sale and manufacture of medical equipment and consumables.

2.1 BASIS OF PREPARATION

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

The financial information have been prepared under the historical cost convention, except for financial liabilities at fair value through profit or loss which have measured at fair value.

The financial information are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The financial information include the financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

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

Amendments to IFRS 9 Prepayment Features with Negative Compensation

IFRS 16 Leases

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

IFRIC 23 Uncertainty over Income Tax Treatments

Annual Improvements to 2015-2017 Cycle Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

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

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

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

New definition of a lease

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

As a lessee - Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

Impact on transition

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

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

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

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

Financial impact at 1 January 2019

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

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

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- (b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the sale and manufacture 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 Group's management focuses on the operating results of the Group. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

The non-current asset information above is based on the locations of the assets and excludes financial instruments and 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 during the year is set out below:

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

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

4. REVENUE

An analysis of revenue is as follows:

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

5. OTHER INCOME AND GAINS

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

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. PROFIT BEFORE TAX

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

	2019 RMB'000	2018 RMB'000
Cost of inventories sold*	1,831,826	296,964
Cost of services provided*	58,036	_
Depreciation of property, plant and equipment	22,970	16,486
Depreciation of right-of-use assets Amortisation of intangible assets	12,248	_
– supplier contract*	12,960	_
– patents	1,259	1,260
	14,219	1,260
Impairment of goodwill**	6,639	_
Impairment of intangible asset**	26,795	_
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	99,547	19,245
Equity-settled share option expenses	20,337	_
Pension scheme contributions	19,353	3,267
	139,237	22,512
Foreign exchange differences, net	(6,654)	(234)
Impairment loss of trade receivables	291	2,335
Write-down of inventories to net realisable value*	119	12
Loss on disposal of items of property, plant and equipment**	30	3
Fair value loss on financial liabilities at fair value		
through profit or loss, net**	80,621	_

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

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

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax regime effect from the year of assessment 2018/19. The first HK\$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Tax on profits assessable in the Mainland China has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the year.

		2019 RMB'000	2018 RMB'000
	Current – Hong Kong Charge for the year Under/(over) provision in prior years	1,342 671	- -
	Current – China Charge for the year Under/(over) provision in prior years Deferred	96,644 (8,152) (48,384)	17,410 - 704
,	Total tax charge for the year	42,121	18,114
9.	DIVIDEND		
		2019 RMB'000	2018 RMB'000
]	Dividend declared to the shareholders of the Company prior to the listing Final 2018 dividend declared – RMB1.32 per ordinary share Proposed Final (HK5.366 cents) (2018:Nil) per ordinary share	160,000 69,026 64,996	
		294,022	_

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

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares in issue during the year. The weighted average number of shares has been retrospectively adjusted for the effect of Capitalisation Issue (as defined and disclosed in note 14) on the assumption that the Capitalisation Issue had been completed on 1 January 2018.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the parent, adjusted to reflect the fair value gain on Promissory Note (as defined in note 15). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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		2019 RMB'000	2018 RMB'000
	Earnings		
	Profit attributable to owners of the parent Fair value gain on the Promissory Note	275,001 (30,082)	103,440
		244,919	103,440
		Number of 2019	shares 2018 (restated)
	Shares		
	Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,133,794,730	617,644,845
	Effect of dilution – weighted average number of ordinary shares:		
	Share options Conversion options embedded in the Promissory Note	404,185 5,760,406	
		1,139,959,321	617,644,845
11.	TRADE RECEIVABLES		
		2019 RMB'000	2018 RMB'000
	Trade receivables	393,961	165,089
	Impairment	(3,531)	(2,739)
		390,430	162,350

The majority of the Group's sales of products were mainly made on the payment-in-advance basis or granted with credit periods ranging from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. There is a certain concentration of credit risk. The total trade receivables from the five largest debtors at 31 December 2019 represented 50.5% (2018: 51.2%) of total trade receivables, while 20.6% (2018: 16.8%) of the total trade receivables were due from the largest debtors.

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

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

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

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

12. TRADE AND BILLS PAYABLES

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

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

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

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

13. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Contract liabilities	41,893	1,080
Other payables	39,438	3,070
Accruals	34,894	7,040
Deferred income	893	1,187
Lease liabilities	17,168	
Less: other payables included in non-current liabilities	134,286 (6,314)	12,377
Less. Other payables included in non-current habilities	(0,314)	
	127,972	12,377

14. SHARE CAPITAL

	2019 RMB'000	2018 RMB'000
Issued and fully paid: 1,333,400,000 (2018: 52,239,658) ordinary shares	4,569	171

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	USD'000	Equivalent to RMB'000
At 1 January 2018, 31 December 2018 and 1 January 2019 Issue of new shares pursuant to the acquisition of	52,239,658	26	171
a subsidiary (note a)	32,339,139	16	110
Issue of new shares pursuant to the Capitalisation Issue (note b)	915,421,203	458	3,143
Issue of new shares pursuant to the Share Offer (note c)	333,400,000	167	1,145
At 31 December 2019	1,333,400,000	667	4,569

Notes:

- (a) On 25 January 2019, the Company allotted and issued 32,339,139 ordinary shares of the Company to Huatuo International Development Co., Limited ("**Huatuo**") as a consideration to acquire the remaining 60% interest in an associate, Vastec, as further detailed in note 15 to the financial information.
- (b) On 12 July 2019, the Company allotted and issued 915,421,203 to existing shareholders by way of capitalisation from the share premium account of the Company (the "Capitalisation Issue"). This Capitalisation Issue was conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in note (c) below.
- (c) On 12 July 2019, in connection with the listing of the shares of the Company on the Main Board of the Stock Exchange (the "Share Offer"), 333,400,000 ordinary shares of the Company were issued at the offer price of HK\$3.07 per share.

15. BUSINESS COMBINATIONS

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

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

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

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

	Fair value recognised on the Acquisition Date
	RMB'000
Property, plant and equipment	20,023
Right-of-use assets	12,874
Intangible assets	750,762
Deferred tax assets	601
Inventories	803,787
Trade and bills receivables	132,484
Prepayments, deposits and other receivables	150,676
Pledged deposits	11,810
Cash and bank balances	252,380
Trade and bills payables	(249,998)
Other payables and accruals	(100,652)
Amounts due to shareholders	(214,979)
Interest-bearing bank borrowings	(70,000)
Lease liabilities	(13,227)
Amount due to a related party	(21,377)
Tax payables Deferred tax liabilities	(21,923) (228,420)
Deferred tax fraofitties	(220,420)
Total identifiable net assets at fair value	1,214,821
Goodwill on acquisition	898,083
	2,112,904
Satisfied by:	
Promissory Note	435,478
Fair value of pre-existing interest in Vastec	718,286
Consideration Shares	959,140
	2,112,904

16. COMPARATIVE AMOUNTS

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

Certain comparative amounts have been reclassified and represented to conform with the current year's presentation and disclosures.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a leading distributor of In Vitro Diagnostic ("IVD") products in the People's Republic of China ("PRC"). In 2018, Vastec, which became a wholly-owned subsidiary of the Group after the Acquisition, was the fourth largest tier 1 IVD distributor in the PRC. Prior to the Acquisition, the Company and its subsidiaries (the "Original Group") was the third largest distributor in the IVD market in Shanghai. The Group has also engaged in the research, development, manufacturing and sales of its self-branded IVD products under the brand name "FV". The Group has been able to increase its market share and profits steadily by taking advantage of its competitive and diverse product portfolio, extensive distribution network and hospital coverage.

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

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

ACQUISITION OF VASTEC

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

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

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

BUSINESS SEGMENTS

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

• Distribution Business

The distribution of IVD products forms the cornerstone of the Group's business. It primarily involves the trading of IVD analysers, reagents and other consumables to customers such as distributors, hospitals and healthcare institutions and logistics providers. Prior to the Acquisition, the Group's distribution of IVD products was primarily conducted through Dacheng Medical Equipments (Shanghai) Co., Ltd. ("Dacheng"), a wholly-owned subsidiary of the Company, which procures its IVD products mainly from tier 1 distributors or directly from IVD product manufacturers and distributes the IVD products to customers such as hospitals and healthcare institutions, logistics providers and distributors in Shanghai.

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

In the year of 2019, the Group's product portfolio was expanded by Vastec's provision of 4 Thrombotic Markers¹ to the market. The 4 Thrombotic Markers are new products manufactured by Sysmex. These new products adopt high sensitive chemiluminesence technology, which may facilitate early diagnosis of thrombosis and fibrinolysis. As of 31 December 2019, approximately 64 Sysmex' analysers installed by the Group at the hospitals and healthcare institutions started to perform the 4 Thrombotic Markers.

In addition, the Group provides solution services to the clinical laboratories of hospitals through Dacheng. This has enabled the Group to establish and maintain direct relationships with local medical practitioners so as to keep the Group close to the frontline of the medical practice and the market demand of IVD products. In 2018, Dacheng provided solution services to two Class III hospitals in the PRC (located in Shanghai and Shanxi, respectively). In 2019, Dacheng actively expanded its business by providing solution services to three new hospitals (located in Shanghai and Shandong) and has successfully recognised revenue. Solution services contributed revenue of RMB132,798 thousand for the year ended 31 December 2019, representing an increase of 22.2% as compared to RMB108,705 thousand for the year ended 31 December 2018.

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

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

• Maintenance Services

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

• Self-branded Products Business under Brand Name "iva":

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

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

RESULTS OVERVIEW

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

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

INDUSTRY OVERVIEW

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

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

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

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

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

BUSINESS OUTLOOK AND DEVELOPMENT STRATEGIES

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

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

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

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

The Group has been providing solution services to hospitals in the PRC since 2013. By being the general supplier of the clinical laboratory department in such hospitals, the Group participates in the design of laboratory layout, provides centralised procurement of IVD products, conducts real-time inventory monitoring and provides other after-sale services to clinical laboratories. Through years of operations, the Group has accumulated a wealth of operational experience and a diversified product portfolio, thus being able to promote the same to other hospitals and healthcare institutions. In order to capture the aforementioned trends and opportunities, the Group intends to provide solution services to two new hospitals in 2020. The Group plans to hire more sales personnel to manage the promotion and marketing of solution services of the Group and to stock sufficient IVD products of various brands to strengthen the Group's advantages in centralized procurement. In addition, the Group intends to continuously participate in national and local IVD symposiums and academic conferences to enhance brand awareness.

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

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

FINANCIAL REVIEW

Overview

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

During the Reporting Period, the Group recorded revenue of RMB2,332,740 thousand, representing an increase of RMB1,919,105 thousand or 464.0% as compared to the corresponding period of 2018.

During the Reporting Period, the Group recorded a net profit for the year of RMB254,819 thousand, representing an increase of RMB155,311 thousand or 156.1% as compared to the corresponding period of 2018. Profit attributable to owners of the parent amounted to RMB275,001 thousand, representing an increase of RMB171,561 thousand or 165.9% as compared to the corresponding period of 2018.

Adjusted profit for the year, which is calculated by profit for the year ended 31 December 2019 deducting gain on remeasurement of previously held interest in Vastec, excluding fair value loss on financial liabilities, expenses on inventory fair value adjustment, amortisation of intangible assets and depreciation of property, plant and equipment relating to the Acquisition, initial public offering expenses and expenses in relation to share options. During the Reporting Period, the Group recorded adjusted profit for the year of RMB259,282 thousand, representing an increase of RMB147,240 thousand or 131.4% as compared to the corresponding period of 2018.

	For the year ended 31 December		
	2019 RMB'000	2018 RMB '000	Change %
Operating Results			
Revenue	2,332,740	413,635	464.0%
Gross Profit	442,878	116,671	279.6%
Earnings before interest and depreciation and	112,070	110,071	217.076
amortization (EBITDA)	354,161	135,368	161.6%
Profit attributable to owners of the parent	275,001	103,440	165.9%
Adjusted profit for the year (<i>Note 1</i>)	259,282	112,042	131.4%
Adjusted profit attributable to owners	20,202	112,012	131.170
of the parent (Note 1)	279,464	115,974	141.0%
Einen del Dette			
Financial Ratios Cross and fit magnin (%) (Note 2)	19.0%	20 201	daamaaaad by 0.2
Gross profit margin (%) (Note 2)	19.0%	28.2%	decreased by 9.2
Not profit margin (0/) (Note 2)	10.00/	24 107	percentage point
Net profit margin (%) (Note 2)	10.9%	24.1%	decreased by 13.2
A directed mustic form the year manain (M) (Note 2)	11 10/	27 10	percentage point
Adjusted profit for the year margin (%) (Note 2)	11.1%	27.1%	decreased by 16.0
	10.40	10 10	percentage point
Return on assets (%) (Note 2)	10.4%	10.1%	increased by 0.3
D ((M) (N (A)	1460	11 60	percentage point
Return on equity (%) (Note 2)	14.6%	11.6%	increased by 3.0
			percentage point
Average turnover days of trade			
receivables (days) (Note 2)	43	129	(86)
Average turnover days of inventory (days) (Note 2)	65	61	4
Average turnover days of trade	0.0	01	
payables (days) (Note 2)	36	48	(12)
	31 Dec	amb an	
	2019	ember 201	8 Change
	RMB'000	RMB '00	\mathcal{C}
Financial Position			
Total assets	3,870,260	1,040,04	10 272.1%
Equity attributable to owners of the parent	2,818,666	948,47	18 197.2%
Cash and cash equivalents	910,871	115,36	689.6%
Financial Ratios			
Current ratio (times) (Note 2)	2.5	5	.3 (2.8)
Quick ratio (times) (Note 2)	1.8		.5 (2.8)
Debt to equity ratio (times) (Note 2)	0.1	4	- 0.1
= = = = = = = = = = = = = = = = = = =	0.1		

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

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

Revenue

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

Revenue by business segment

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

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

Revenue by product type

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

	For the year ended 31 December				
Product type	2019		20	18	Change
	RMB'000	%	RMB'000	%	
IVD analysers– Distribution business– Self-branded products business	370,105 27	16.9 0.0	41,457	10.0	792.7% 100.0%
-					
Subtotal	370,132 –	16.9	41,457	10.0	
IVD reagents and other consumables	1 915 520	92 0	266 092	007	204.70
Distribution businessSelf-branded products business	$\frac{1,815,520}{3,760}$	82.9	366,983 5,195	88.7	394.7% (27.6%)
Subtotal	1,819,280	83.1	372,178	90.0	388.8%
Total	2,189,412	100.0	413,635	100.0	429.3%

Revenue by channel

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

	For the year ended 31 December				
Sales channel	201	9	20	18	Change
	RMB'000	%	RMB'000	%	
Distribution business					
Distributors	1,822,062	83.2	121,714	29.4	1,397.0%
 Hospitals and healthcare institutions 	264,348	12.1	202,714	49.0	30.4%
 Logistics providers 	99,215	4.5	84,012	20.3	18.1%
Subtotal	2,185,625	99.8	408,440	98.7	435.1%
Self-branded products business	2 797	0.2	5 105	1.2	(27.10/)
– Distributors	3,787	0.2	5,195	1.3	(27.1%)
 Hospitals and healthcare institutions 	_	_	_	_	_
 Logistics providers 					
Subtotal	3,787	0.2	5,195	1.3	(27.1%)
Total	2,189,412	100.0	413,635	100.0	429.3%

Cost of sales

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

Cost of sales by business segment

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

	\mathbf{F}	or the ye	ar ended 31 I	December	
Business segment	2019		201	8	Change
	RMB'000	%	RMB'000	%	
Distribution business (Note 1)	1,830,173	96.8	295,929	99.7	518.5%
Maintenance services	58,036	3.1	_	0.0	100.0%
Self-branded products business	1,653	0.1	1,035	0.3	59.7%
Total	1,889,862	100.0	296,964	100.0	536.4%

Note 1: Inventory and intangible assets fair value adjustment, arising from the Acquisition and amounting to RMB93,387 thousand, was fully charged and amortisated into cost of sales of distribution business in 2019.

Cost of sales by product type

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

	For the year ended 31 December				
Product type	2019		2018		Change
	RMB'000	%	RMB'000	%	
IVD analysers					
 Distribution business 	329,431	18.0	35,203	11.9	835.8%
 Self-branded products business 	24	0.0	_	0.0	100.0%
Subtotal	329,455	18.0	35,203	11.9	835.9%
IVD reagents and other consumables					
 Distribution business 	1,500,742	81.9	260,726	87.8	475.6%
 Self-branded products business 	1,629	0.1	1,035	0.3	57.4%
Subtotal	1,502,371	82.0	261,761	88.1	473.9%
Total	1,831,826	100.0	296,964	100.0	516.9%

Gross profit and gross profit margin

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

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

Gross profit and gross profit margin by business segment

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

	For the year ended 31 December				
Business segment	201	19	2018		Change
		Gross		Gross	
	Gross	profit	Gross	profit	
	profit	margin	profit	margin	
	RMB'000	%	RMB'000	%	
Distribution business					
– IVD reagents and other consumables	314,778	17.3	106,257	29.0	196.2%
– IVD analysers	40,674	11.0	6,254	15.1	550.4%
Subtotal	355,452	16.3	112,511	27.5	215.9%
Maintenance services	85,292	59.5		0.0	100.0%
Self-branded products business					
– IVD reagents and other consumables	2,131	56.7	4,160	80.1	(48.8%)
– IVD analysers	3	11.1		0.0	100.0%
Subtotal	2,134	56.4	4,160	80.1	(48.7%)
Total	442,878	19.0	116,671	28.2	279.6%

Gross profit and gross profit margin by product type

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

	For the year ended 31 December				
Product type	2019		2018		Change
		Gross		Gross	
	Gross	profit	Gross	profit	
	profit	margin	profit	margin	
	RMB'000	%	RMB'000	%	
IVD analysers					
 Distribution business 	40,674	11.0	6,254	15.1	550.4%
 Self-branded products business 	3	11.1		0.0	100.0%
Subtotal	40,677	11.0	6.254	15.1	550.4%
IVD reagents and other consumables					
 Distribution business 	314,778	17.3	106,257	29.0	196.2%
 Self-branded products business 	2,131	56.7	4,160	80.1	(48.8%)
Subtotal	316,909	17.4	110,417	29.7	187.0%
Total	357,586	16.3	116,671	28.2	206.5%

Other income and gains

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

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

Selling and distribution expenses

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

General and administrative expenses

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

Other expenses

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

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

Finance costs

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

Share of profits of associates

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

Income tax

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

Profit for the year

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

Adjusted profit for the year

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

	2019	2018
	RMB'000	RMB '000
	254.010	00.500
Profit for the year	254,819	99,508
Adjusted for:		
Gain on remeasurement of previously held interest in Vastec	(208,759)	_
Fair value loss on financial liabilities	80,621	_
Expenses on inventory fair value adjustment	60,320	_
Initial public offering expenses	41,490	12,534
Share option expenses	20,337	_
Amortisation of intangible assets and depreciation of property,		
plant and equipment relating to the Acquisition	10,454	
Adjusted profit for the year	259,282	112,042

Liquidity and financial resources

As of 31 December 2019, the Group had cash and cash equivalents of RMB910,871 thousand (primarily denominated in HK\$, RMB and US\$), as compared to RMB115,364 thousand as of 31 December 2018. The approach adopted by the Board to manage the liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

Borrowings

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

Charge of assets/pledge of assets

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

Capital structure

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

Net current assets

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

Interest rate risk

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

Foreign currency risk

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

Credit risk

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

Liquidity risk

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

Capital expenditure

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

Contingent liabilities and guarantees

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

Gearing ratio

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

Significant investments

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

Material acquisitions and disposals of subsidiaries and affiliated companies

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

Future plans for material investments and capital assets

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

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

Share Option Scheme

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

Employee and remuneration policy

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

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

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

Subsequent events

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Since the date of the Listing (the "Listing Date") and up to the date of this announcement, save for the code provision addressed below, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The chairman and chief executive officer of the Company are held by Mr. Ho Kuk Sing who is one of the founders of the Group and has extensive experience in the industry.

The Board believes that Mr. Ho Kuk Sing can provide the Company with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies.

The Board is of the view that given that Mr. Ho Kuk Sing had been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under his strong and consistent leadership, and should be overall beneficial to the management and development of the Group's business.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 set out in this announcement have been agreed by Ernst & Young to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all the Directors confirmed that they had complied with the requirements as set out in the Model Code since the Listing Date and up to the date of this announcement.

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

Since the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times since the Listing Date and up to the date of this announcement as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company for the year ended 31 December 2019 (the "AGM") will be held on 3 June 2020. The notice of the AGM will be sent to shareholders of the Company at least 20 clear business days before the AGM.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

- (a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from 29 May 2020 to 3 June 2020, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 28 May 2020.
- (b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from 9 June 2020 to 11 June 2020, both days inclusive. In order to qualify for the final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 8 June 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement has been published on the websites of the Company at http://www.ivdholding.com and the Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk. The Company's 2019 annual report containing all the information required by Appendix 16 of the Listing Rules will be dispatched to shareholders of the Company and published on the above websites in due course.

By Order of the Board

IVD Medical Holding Limited

Ho Kuk Sing

Chairman

Hong Kong, 27 March 2020

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Ho Kuk Sing, Mr. Leung King Sun and Mr. Lin Xianya, three non-executive directors, namely, Mr. Chen Xingang, Mr. Yang Zhaoxu and Mr. Chan Kwok King, Kingsley and three independent non-executive directors, namely, Mr. Lau Siu Ki, Mr. Zhong Renqian and Mr. Leung Ka Sing.