



IVD MEDICAL HOLDING LIMITED 華檢醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

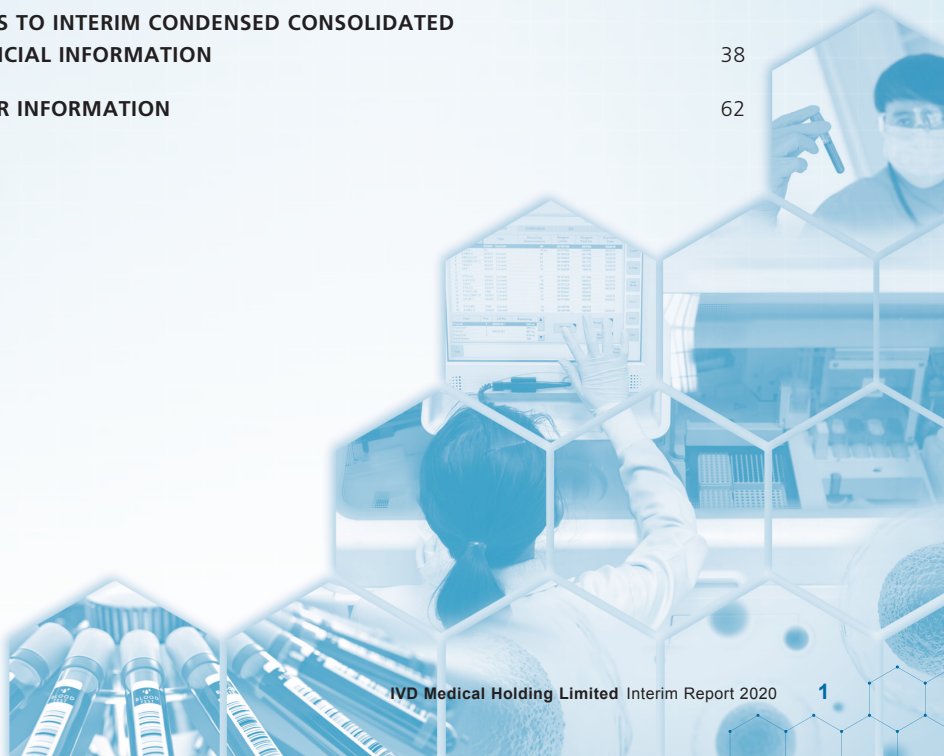
Stock Code: 1931

INTERIM REPORT 2020



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Ho Kuk Sing (*Chairman of the Board and Chief Executive Officer*)

Mr. Leung King Sun

Mr. Lin Xianya

Non-executive Directors

Mr. Chen Xingang

Mr. Yang Zhaoxu

Mr. Chan Kwok King, Kingsley

Independent Non-executive Directors

Mr. Lau Siu Ki

Mr. Zhong Renqian

Mr. Leung Ka Sing

COMPANY SECRETARY

Ms. Lam Wai Yan

AUTHORISED REPRESENTATIVES

Mr. Leung King Sun

Ms. Lam Wai Yan

AUDIT COMMITTEE

Mr. Lau Siu Ki (*Chairman*)

Mr. Zhong Renqian

Mr. Leung Ka Sing

REMUNERATION COMMITTEE

Mr. Lau Siu Ki (*Chairman*)

Mr. Leung King Sun

Mr. Leung Ka Sing

NOMINATION COMMITTEE

Mr. Ho Kuk Sing (*Chairman*)

Mr. Lau Siu Ki

Mr. Leung Ka Sing

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

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

AUDITOR

Ernst & Young
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

HONG KONG LEGAL ADVISER

Mayer Brown
16th – 19th Floors
Prince's Building
10 Chater Road
Central
Hong Kong

COMPLIANCE ADVISER

Ballas Capital Limited
Unit 1802, 18th Floor
1 Duddell Street
Central
Hong Kong

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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.ivdholding.com

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
(Hong Kong Branch)
Bank of Communications Co. Ltd.
(Hong Kong Branch)
Hang Seng Bank (China) Limited
(Shanghai Branch)
The Hongkong and Shanghai Banking
Corporation Limited

LISTING INFORMATION AND STOCK CODE

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 1931.HK)

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited) (Restated)	Change
Revenue	981,240	912,763	7.5%
Gross Profit	194,179	215,167	(9.8%)
Profit for the period	36,092	295,666	(87.8%)
Profit attributable to owners of the parent	38,281	298,503	(87.2%)
Adjusted profit for the period (Note 1)	61,674	102,344	(39.7%)
Adjusted profit attributable to owners of the parent (Note 1)	63,863	105,181	(39.3%)
Earnings per share			
Basic (RMB cents)	2.87	31.45	(28.58)
Diluted (RMB cents)	2.86	31.45	(28.59)
Adjusted earnings per share			
Basic (RMB cents)	4.79	11.08	(6.29)
Diluted (RMB cents)	4.77	11.08	(6.31)

For the six months ended 30 June 2020, IVD Medical Holding Limited (the "Company") together with its subsidiaries (collectively the "Group") achieved a revenue of RMB981,240 thousand, which represented an increase of 7.5% as compared to the same period of 2019. Such increase was primarily due to the net effect of (i) the Group fully consolidated the results of Vastec Medical Limited ("Vastec") together with its subsidiaries ("Vastec Group") for the six months ended 30 June 2020 (the "Reporting Period") 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"), while the results of Vastec Group for the month ended 31 January 2019 prior to the completion of Acquisition were not consolidated into results of the Group for the six months ended 30 June 2019; and (ii) a temporary decrease in end customers' demand for in vitro diagnostic ("IVD") products resulting from close-down of hospitals and other quarantine and social distancing measures put in place in mainland China in response to outbreak of the coronavirus disease ("COVID-19") since early 2020.

Profit of the Group for the six months ended 30 June 2020 recorded a substantial decrease of 87.8% as compared to the same period of 2019. Such substantial decrease was primarily attributable to (i) a one-off, non-operating gain on remeasurement of pre-existing interest in Vastec relating to the Acquisition, which was reflected in profit of the Group for the six months ended 30 June 2019 but was not available for profit of the Group for the Reporting Period; (ii) the adverse impact of COVID-19 on the profitability of the Group's IVD products distribution business as detailed above; and (iii) expenses in relation to share options amounting to RMB25,582 thousand.

Note 1: Adjusted profit for the period and adjusted profit attributable to owners of the parent are non-GAAP financial measures and are calculated by profit for the period and profit attributable to owners of the parent deducting gain on remeasurement of pre-existing interest in Vastec, excluding initial public offering expenses and expenses in relation to share options. Adjusted profit of the Group is used to exclude the impact of non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, so as to provide shareholders of the Company (the "Shareholders") and potential investors with useful supplementary information to assess the performance of the Group's core operations.

BUSINESS OVERVIEW

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

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. The Group's distribution of IVD products was primarily conducted through Vastec, a wholly-owned subsidiary of the Company. Vastec is 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 and also procures a diversified portfolio of IVD products from other leading international brands for distribution in the PRC.

The Group also provides 4 Thrombotic Markers (Note 1) products manufactured by Sysmex to the market. These products adopt high sensitive chemiluminescence technology, which may facilitate early diagnosis of thrombosis and fibrinolysis.

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

In addition, the Group provides solution services to the clinical laboratories of hospitals. This has enabled the Group to establish and maintain direct relationships with local medical practitioners so as to keep the Group close to the frontline of the medical practice and the market demand of IVD products. In the first half of 2020, the Group provided solution services to five Class III hospitals in the PRC. Solution services contributed revenue of RMB53,630 thousand for the six months ended 30 June 2020, representing an increase of 8.7% as compared to RMB49,329 thousand for the six months ended 30 June 2019.

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 30 June 2020, the Group had 187 direct customers, including hospitals and healthcare institutions, and 828 distributors in its established distribution network.

- **Maintenance Services**

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

- **Self-branded Products Business under Brand Name “”**

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”).

INDUSTRY OVERVIEW

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

According to Frost & Sullivan, by 2024, PRC IVD market at ex-factory price level is expected to reach RMB195.7 billion with a compound annual growth rate ("CAGR") of 17.8% during 2019 to 2024. 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 64.9% of the market share in the PRC IVD market. Haematology and body fluid test includes haemostasis analysis and urinalysis, which ranked third in the PRC IVD market by revenue in 2019, representing a market share of approximately 14.3%.

Haemostasis analysis IVD market in the PRC at ex-factory price level reached RMB4.8 billion in 2019, and the market is highly concentrated. Top three market players dominate the market with a cumulative market share of 81.7%. Sysmex is the market leader by sales revenue, with a total market share of 42.0% in 2019 and penetration rate of 74.0% among China Top 100 Hospitals selected by Hospital Management Institute, Fudan University on 10 November 2019.

Sales revenue of haemostasis analysis IVD products generated by tier 1 distributors in the PRC reached RMB5.5 billion in 2019. By 2024, PRC tier 1 distributed haemostasis analysis IVD market is projected to reach RMB10.9 billion in terms of sales revenue with a CAGR of 14.4% during 2019 to 2024.

BUSINESS OUTLOOK AND DEVELOPMENT STRATEGIES

The Company was successfully listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 July 2019 (the “Listing”), 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, and optimise the performance and applicability of self-developed products to improve market competitiveness. With a high cost performance ratio of own brand/domestic products, the Group will be able to penetrate the mid to low-end market and to establish a broader customer base consisting of medical institutions in second or third-tier cities or those at grassroots level.

FINANCIAL REVIEW

Overview

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

During the Reporting Period, the Group recorded revenue of RMB981,240 thousand, representing an increase of RMB68,477 thousand or 7.5% as compared to the corresponding period of 2019.

During the Reporting Period, the Group recorded a net profit for the period of RMB36,092 thousand, representing a decrease of RMB259,574 thousand or 87.8% as compared to the corresponding period of 2019. Profit attributable to owners of the parent amounted to RMB38,281 thousand, representing a decrease of RMB260,222 thousand or 87.2% as compared to the corresponding period of 2019.

During the Reporting Period, the Group recorded an adjusted profit for the period of RMB61,674 thousand, representing a decrease of RMB40,670 thousand or 39.7% as compared to the corresponding period of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

	For the six months ended 30 June		
	2020 RMB' 000	2019 RMB' 000 (Restated)	Change
Operating Results			
Revenue	981,240	912,763	7.5%
Gross Profit	194,179	215,167	(9.8%)
Earnings before interest and depreciation and amortisation (EBITDA)	90,681	357,705	(74.6%)
Profit attributable to owners of the parent	38,281	298,503	(87.2%)
Adjusted profit for the period (Note 1)	61,674	102,344	(39.7%)
Adjusted profit attributable to owners of the parent (Note 1)	63,863	105,181	(39.3%)
Financial Ratios			
Gross profit margin (%) (Note 2)	19.8%	23.6%	decreased by 3.8 percentage point
Net profit margin (%) (Note 2)	3.7%	32.4%	decreased by 28.7 percentage point
Adjusted profit for the period margin (%) (Note 2)	6.3%	11.2%	decreased by 4.9 percentage point
Return on assets (%) (Note 2)	0.9%	13.7%	decreased by 12.8 percentage point
Return on equity (%) (Note 2)	1.4%	20.1%	decreased by 18.7 percentage point
Average turnover days of trade receivables (days) (Note 2)	66	42	24
Average turnover days of inventory (days) (Note 2)	154	104	50
Average turnover days of trade payables (days) (Note 2)	61	20	41

	30 June 2020	31 December 2019	Change
Financial Position			
Total assets	4,047,527	3,870,260	4.6%
Equity attributable to owners of the parent	2,822,584	2,818,666	0.1%
Cash and cash equivalents	884,332	910,871	(2.9%)
Financial Ratios			
Current ratio (times) (Note 2)	2.2	2.5	(0.3)
Quick ratio (times) (Note 2)	1.5	1.8	(0.3)
Debt to equity ratio (times) (Note 2)	0.3	0.1	0.2

Note 1: Adjusted profit for the period and adjusted profit attributable to owners of the parent are non-GAAP financial measures and are calculated by profit for the period and profit attributable to owners of the parent deducting gain on remeasurement of pre-existing interest in Vastec, excluding initial public offering expenses and expenses in relation to share options.

Note 2: The calculation method is the same with that in the Prospectus.

Revenue

Revenue of the Group amounted to RMB981,240 thousand for the six months ended 30 June 2020, representing an increase of 7.5% compared to RMB912,763 thousand for the six months ended 30 June 2019. Such increase was primarily due to the net effect of (i) the Group fully consolidated the results of Vastec Group for the six months ended 30 June 2020 while the results of Vastec Group for the month ended 31 January 2019 prior to the completion of Acquisition were not consolidated into results of the Group for the six months ended 30 June 2019; and (ii) a temporary decrease in end customers' demand for IVD products resulting from close-down of hospitals and other quarantine and social distancing measures put in place in mainland China in response to outbreak of COVID-19 since early 2020.

Revenue by business segment

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

Business Segment	2020		2019		Change
	RMB' 000	%	RMB' 000	%	
Distribution business	912,447	93.0	844,627	92.5	8.0%
Maintenance services	68,055	6.9	66,253	7.3	2.7%
Self-branded products business	738	0.1	1,883	0.2	(60.8%)
Total	981,240	100.0	912,763	100.0	7.5%

Revenue by product type

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

Product type	2020		2019		Change
	RMB' 000	%	RMB' 000	%	
IVD analysers					
– Distribution business	239,477	26.2	122,921	14.5	94.8%
Subtotal	239,477	26.2	122,921	14.5	94.8%
IVD reagents and other consumables					
– Distribution business	672,970	73.7	721,706	85.3	(6.8%)
– Self-branded products business	738	0.1	1,883	0.2	(60.8%)
Subtotal	673,708	73.8	723,589	85.5	(6.9%)
Total	913,185	100.0	846,510	100.0	7.9%

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 periods indicated:

Sales channel	2020		2019		Change
	RMB' 000	%	RMB' 000	%	
For the six months ended 30 June					
Distribution business					
– Distributors	780,337	85.4	692,028	81.8	12.8%
– Hospitals and healthcare institutions	95,920	10.5	110,667	13.0	(13.3%)
– Logistics providers	36,190	4.0	41,932	5.0	(13.7%)
Subtotal	912,447	99.9	844,627	99.8	8.0%
Self-branded products business					
– Distributors	738	0.1	1,883	0.2	(60.8%)
Subtotal	738	0.1	1,883	0.2	(60.8%)
Total	913,185	100.0	846,510	100.0	7.9%

Cost of sales

Cost of sales of the Group amounted to RMB787,061 thousand for the six months ended 30 June 2020, representing an increase of 12.8% compared to RMB697,596 thousand for the six months ended 30 June 2019. Such increase was primarily due to the Group fully consolidated the results of Vastec Group for the six months ended 30 June 2020 while the results of January 2019 of Vastec Group for the month ended 31 January 2019 prior to the completion of Acquisition were not consolidated into results of the Group for the six months ended 30 June 2019.

Cost of sales by business segment

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

Business Segment	For the six months ended 30 June				Change
	2020 RMB' 000	%	2019 RMB' 000	%	
Distribution business	755,008	96.0	671,575	96.3	12.4%
Maintenance services	31,754	4.0	25,170	3.6	26.2%
Self-branded products business	299	0.0	851	0.1	(64.9%)
Total	787,061	100.0	697,596	100.0	12.8%

Cost of sales by product type

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

Product type	2020		2019		Change
	RMB'000	%	RMB'000	%	
IVD analysers					
– Distribution business	218,730	29.0	98,260	14.6	122.6%
Subtotal	218,730	29.0	98,260	14.6	122.6%
IVD reagents and other consumables					
– Distribution business	536,278	71.0	573,315	85.3	(6.5%)
– Self-branded products business	299	0.0	851	0.1	(64.9%)
Subtotal	536,577	71.0	574,166	85.4	(6.5%)
Total	755,307	100.0	672,426	100.0	12.3%

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. Gross profit of the Group amounted to RMB194,179 thousand for the six months ended 30 June 2020, representing a decrease of 9.8% as compared to RMB215,167 thousand for the six months ended 30 June 2019. Such decrease was primarily attributable to the adverse impact of COVID-19 on the Group's IVD products distribution business.

Gross profit margin is calculated as gross profit divided by revenue. Gross profit margin of the Group was 19.8% for the six months ended 30 June 2020, down from 23.6% for the six months ended 30 June 2019, which was primarily attributable to the adverse impact of COVID-19 on the Group's IVD products distribution business.

Gross profit and gross profit margin by business segment

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

Business Segment	For the six months ended 30 June				
	2020		2019		Change
	Gross profit RMB' 000	Gross profit margin %	Gross profit RMB' 000	Gross profit margin %	
Distribution business					
– IVD analysers	20,747	8.7	24,661	20.1	(15.9%)
– IVD reagents and other consumables	136,692	20.3	148,391	20.6	(7.9%)
Subtotal	157,439	17.3	173,052	20.5	(9.0%)
Maintenance services	36,301	53.3	41,083	62.0	(11.6%)
Self-branded products business					
– IVD reagents and other consumables	439	59.5	1,032	54.8	(57.5%)
Subtotal	439	59.5	1,032	54.8	(57.5%)
Total	194,179	19.8	215,167	23.6	(9.8%)

Gross profit and gross profit margin by product type

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

Product type	For the months ended 30 June				
	2020		2019		Change
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
IVD analysers					
– Distribution business	20,747	8.7	24,661	20.1	(15.9%)
Subtotal	20,747	8.7	24,661	20.1	(15.9%)
IVD reagents and other consumables					
– Distribution business	136,692	20.3	148,391	20.6	(7.9%)
– Self-branded products business	439	59.5	1,032	54.8	(57.5%)
Subtotal	137,131	20.4	149,423	20.7	(8.2%)
Total	157,878	17.3	174,084	20.6	(9.3%)

Other income and gains

Other income and gains of the Group amounted to RMB8,292 thousand for the six months ended 30 June 2020, representing an increase of 58.2% compared to RMB5,240 thousand for the six months ended 30 June 2019.

	For the six months ended 30 June	
	2020	2019
	RMB' 000	RMB' 000
<u>Other income</u>		
Bank interest income	1,416	1,542
Other interest income	–	150
Service income	–	2,152
Rental income	172	–
Government subsidies	4,563	55
Others	273	506
Subtotal	6,424	4,405
<u>Gains</u>		
Foreign exchange differences, net	1,482	835
Fair value gain on financial assets at fair value through profit or loss, net	386	–
Total	8,292	5,240

Selling and distribution expenses

Selling and distribution expenses of the Group amounted to RMB39,916 thousand for the six months ended 30 June 2020, representing an increase of 17.4% compared to RMB34,008 thousand for the six months ended 30 June 2019. Such increase was primarily due to the Group fully consolidated the results of Vastec Group for the six months ended 30 June 2020 while the results of Vastec Group for the month ended 31 January 2019 prior to the completion of Acquisition were not consolidated into results of the Group for the six months ended 30 June 2019.

General and administrative expenses

General and administrative expenses of the Group amounted to RMB85,803 thousand for the six months ended 30 June 2020, representing an increase of 106.7% compared to RMB41,519 thousand for the six months ended 30 June 2019. Such significant increase was primarily due to (i) expenses in relation to share options granted amounting to RMB25,582 thousand; and (ii) the Group fully consolidated the results of Vastec Group for the six months ended 30 June 2020 while the results of Vastec Group for the month ended 31 January 2019 prior to the completion of Acquisition were not consolidated into results of the Group for the six months ended 30 June 2019.

Other expenses

Other expenses of the Group amounted to RMB1,054 thousand for the six months ended 30 June 2020, representing an increase of 5.3% compared to RMB1,001 thousand for the six months ended 30 June 2019.

	For the six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
Loss on disposals of property, plant and equipment	1,054	–
Inventory impairment loss	–	939
Others	–	62
	1,054	1,001

Finance costs

Finance costs of the Group amounted to RMB12,415 thousand for the six months ended 30 June 2020, representing an increase of 279.0% as compared to RMB3,276 for the six months ended 30 June 2019. Such significant increase was primarily due to the increase of bank borrowings.

Share of profits of associates

Decrease in share of profits of associates was primarily due to the completion of the Acquisition of Vastec, which was an associate of the Group before the completion of the Acquisition.

Income tax

Income tax of the Group amounted to RMB24,261 thousand for the six months ended 30 June 2020, representing a decrease of 44.7% compared to RMB43,858 thousand for the six months ended 30 June 2019. Such decrease was primarily attributable to the decrease of profit before tax.

Profit for the period

Profit of the Group for the period amounted to RMB36,092 thousand for the six months ended 30 June 2020, representing a substantial decrease of 87.8% as compared to RMB295,666 thousand for the six months ended 30 June 2019. Such substantial decrease was primarily attributable to (i) a one-off, non-operating gain on remeasurement of pre-existing interest in Vastec relating to the Acquisition, which was reflected in profit of the Group for the six months ended 30 June 2019 but was not available for profit of the Group for the Reporting Period; (ii) the adverse impact of COVID-19 on the Group's IVD products distribution business; and (iii) expenses in relation to share options amounting to RMB25,582 thousand.

Adjusted profit for the period

Adjusted profit of the Group is a non-GAAP financial measure used to exclude the impact of non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, so as to provide the Shareholders and potential investors with useful supplementary information to assess the performance of the Group's core operations. Adjusted profit of the Group for the period is calculated by profit for the period deducting gain on remeasurement of pre-existing interest in Vastec, excluding initial public offering expenses and expenses in relation to share options. Adjusted profit of the Group for the period amounted to RMB61,674 thousand for the six months ended 30 June 2020, representing a decrease of 39.7% as compared to RMB102,344 thousand the six months ended 30 June 2019. Such decrease was primarily attributable to the adverse impact of COVID-19 on the profitability of the Group's IVD products distribution business.

	For the six months ended 30 June	
	2020 RMB' 000	2019 RMB' 000
Profit for the period	36,092	295,666
Adjusted for non-operating items:		
Gain on remeasurement of pre-existing interest in Vastec	–	(208,759)
Initial public offering expenses	–	15,437
Share option expenses	25,582	–
Adjusted profit for the period (Note)	61,674	102,344

Note: represents a non-GAAP financial measure.

Liquidity and financial resources

As of 30 June 2020, the Group had cash and cash equivalents of RMB884,332 thousand (primarily denominated in HK\$, RMB and US\$), as compared to RMB910,871 thousand as of 31 December 2019. The approach adopted by the board of directors of the Company (the “Board”) to manage the liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group’s reputation.

Capital structure

As of 30 June 2020, the Group’s total equity attributable to owners of the parent was RMB2,822,584 thousand (31 December 2019: RMB2,818,666 thousand), comprising share capital of RMB4,569 thousand (31 December 2019: RMB4,569 thousand) and reserves of RMB2,818,015 thousand (31 December 2019: RMB2,814,097 thousand).

Net current assets

The Group had net current assets of RMB1,254,108 thousand as of 30 June 2020, representing a decrease of RMB26,795 thousand as compared to RMB1,280,903 thousand as of 31 December 2019.

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 six months ended 30 June 2020, the Group recorded a net exchange gain of RMB1,482 thousand, as compared to a net exchange gain of RMB835 thousand for the six months ended 30 June 2019. As of 30 June 2020, the Group did not have 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 six months ended 30 June 2020, the Group's total capital expenditure amounted to approximately RMB9,977 thousand, which was primarily used in property, plant and equipment.

Charge/pledge on assets

As of 30 June 2020, the Group's bank deposits of approximately RMB119,813 thousand were pledged to secure the Group's letter of credit in the aggregate amount of RMB374,752 thousand.

Borrowings

The Group had bank borrowings of RMB697,119 thousand as of 30 June 2020 which primarily consisting of short-term working capital loans denominated in US\$ and RMB. All of the Group's bank borrowings as of 30 June 2020 were unsecured and unguaranteed.

Contingent liabilities and guarantees

As of 30 June 2020, the Group did not have any material contingent liabilities, guarantees or litigation against it (as of 31 December 2019: nil).

Gearing ratio

As of 30 June 2020, the Group's gearing ratio, which is equivalent to total debt divided by total assets, was approximately 19.0% (as of 31 December 2019: 8.4%).

Significant investments

As of 30 June 2020, the Group did not hold any significant investments in the equity interests of other companies.

Future plans for material investments and capital assets

As of 30 June 2020, the Group did not have any capital commitments (as of 31 December 2019: nil) to acquire property, plant or equipment.

As of 30 June 2020, 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. The funding requirements will be satisfied by a combination of internally generated cash, external borrowings and other funds raised from the capital markets from time to time, in addition to the net proceeds from the initial public offering of the Company.

Share option schemes

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 26,668,000 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 30 June 2020, the Group had 607 employees (30 June 2019: 579 employees). Total staff remuneration expenses, including remuneration for directors of the Company (the “Directors”), for the six months ended 30 June 2020 amounted to RMB60,474 thousand (for the six months ended 30 June 2019: RMB28,195 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.

Use of proceeds from initial public offering

The net proceeds from the initial public offering of the Company were approximately HKD902.9 million. The net proceeds have been and will be utilised in accordance with the purposes set out in the Prospectus. As of 30 June 2020, the Group has applied the net proceeds for the following purposes:

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Planned use of proceeds from the Global Offering as stated in the Prospectus	Percentage as to the total amount (%) ⁽²⁾	Amount (HK\$ million)	Actual use of proceeds up to 30 June 2020	Balance as of 30 June 2020	Expected timeline of full utilisation of the unutilised proceeds from the Global Offering
			Amount (HK\$ million)	Amount (HK\$ million)	
Planned use					
Settling the outstanding balance of the cash consideration for the acquisition of 60% equity interest in Vastec	51.1	461.7	461.7	–	N/A
Paying part of the Special Dividend	34.0	306.8	306.8	–	N/A
Expanding customer base under distribution business	5.8	52.4	15.6	36.8	On or before 31 December 2022
Continuing research and development of self-branded products	3.0	26.8	3.7	23.1	On or before 31 December 2025
Expanding distribution business and improving distribution value chain	2.2	19.8	7.9	11.9	On or before 31 December 2021
Using as working capital and for general corporate purpose	3.9	35.4	35.4	–	N/A
Total	100.0	902.9	831.1	71.8	



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent review report

To the board of directors of IVD Medical Holding Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 61, which comprise the condensed consolidated statement of financial position of IVD Medical Holding Limited (the “Company”) and its subsidiaries (collectively the “Group”) as at 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by International Accounting Standards Board (“IASB”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
20 August 2020

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

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
Notes		RMB' 000 (Unaudited)	RMB' 000 (Unaudited) (Restated)
REVENUE	4	981,240	912,763
Cost of sales		(787,061)	(697,596)
GROSS PROFIT		194,179	215,167
Other income and gains	5	8,292	5,240
Selling and distribution expenses		(39,916)	(34,008)
Administrative expenses		(85,803)	(41,519)
Other expenses		(1,054)	(1,001)
Finance costs		(12,415)	(3,276)
Share of profits of associates		188	5,123
Gain on remeasurement of pre-existing interest in an associate	17	–	208,759
(Impairment)/reversal of impairment of trade receivables		(3,118)	476
Initial public offering expenses		–	(15,437)
PROFIT BEFORE TAX	6	60,353	339,524
Income tax expense	7	(24,261)	(43,858)
PROFIT FOR THE PERIOD		36,092	295,666

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

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited) (Restated)
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	(5,510)	664
Share of other comprehensive income of an associate	–	911
	(5,510)	1,575
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	12,167	(3,716)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	6,657	(2,141)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	42,749	293,525
Profit for the period attributable to:		
Owners of the parent	38,281	298,503
Non-controlling interests	(2,189)	(2,837)
	36,092	295,666

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

For the six months ended 30 June 2020

		Six months ended 30 June	
Notes		2020	2019
		RMB' 000	RMB' 000
		(Unaudited)	(Unaudited)
		(Restated)	
Total comprehensive income/(loss) attributable to:			
		45,173	296,375
		(2,424)	(2,850)
		42,749	293,525
EARNINGS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE PARENT			
			(Restated)
	9	2.87	31.45
	9	2.86	31.45

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	75,715	83,776
Intangible assets		1,635,885	1,635,885
Investments in associates		4,405	4,270
Financial assets at fair value through profit or loss		35,281	–
Deferred tax assets		3,950	3,459
Total non-current assets		1,755,236	1,727,390
CURRENT ASSETS			
Inventories		705,861	618,892
Trade and bills receivables	11	320,687	390,430
Prepayments, deposits and other receivables	12	261,598	215,026
Pledged deposits		119,813	7,651
Cash and cash equivalents		884,332	910,871
Total current assets		2,292,291	2,142,870
CURRENT LIABILITIES			
Trade and bills payables	13	188,533	339,193
Other payables and accruals	14	140,406	180,747
Interest-bearing bank borrowings	15	697,119	273,531
Tax payable		12,125	68,496
Total current liabilities		1,038,183	861,967
NET CURRENT ASSETS		1,254,108	1,280,903
TOTAL ASSETS LESS CURRENT LIABILITIES		3,009,344	3,008,293

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2020

	Notes	30 June 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		195,904	195,806
Other payables and accruals	14	5,773	6,314
Total non-current liabilities		201,677	202,120
Net assets		2,807,667	2,806,173
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	4,569	4,569
Reserves		2,818,015	2,814,097
		2,822,584	2,818,666
Non-controlling interests		(14,917)	(12,493)
Total equity		2,807,667	2,806,173

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Notes	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Merge reserve	Statutory reserve	Share option reserve	Exchange reserve	Retained profits	Total	Non-controlling		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	4,569	2,439,131*	-*	60,700*	18,467*	20,337*	2,885*	272,577*	2,818,666	(12,493)	2,806,173	
Profit for the period	-	-	-	-	-	-	-	38,281	38,281	(2,189)	36,092	
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(5,275)	-	(5,275)	(235)	(5,510)	
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	-	-	-	-	
Exchange differences on translation of the Company	-	-	-	-	-	-	12,167	-	12,167	-	12,167	
Total comprehensive income for the period	-	-	-	-	-	-	6,892	38,281	45,173	(2,424)	42,749	
Shares repurchase	-	-	(1,225)	-	-	-	-	-	(1,225)	-	(1,225)	
Equity-settled share option arrangement	-	-	-	-	-	25,583	-	-	25,583	-	25,583	
Final 2019 dividend	-	-	-	-	-	-	-	(65,613)	(65,613)	-	(65,613)	
At 30 June 2020 (unaudited)	4,569	2,439,131*	(1,225)*	60,700*	18,467*	45,920*	9,777*	245,245*	2,822,584	(14,917)	2,807,667	
At 1 January 2019	171	637,374	-	60,700	5,000	-	4,539	240,694	948,478	7,249	955,727	
Profit for the period (restated)	-	-	-	-	-	-	-	298,503	298,503	(2,837)	295,666	
Other comprehensive (loss)/income for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	677	-	677	(13)	664	
Share of other comprehensive income of an associate	-	-	-	-	-	-	911	-	911	-	911	
Exchange differences on translation of the Company	-	-	-	-	-	-	(3,716)	-	(3,716)	-	(3,716)	
Total comprehensive income for the period	-	-	-	-	-	-	(2,128)	298,503	296,375	(2,850)	293,525	
Transfer from retained profits	-	-	-	-	10,002	-	-	(10,002)	-	-	-	
Issue of shares	110	959,030	-	-	-	-	-	-	959,140	-	959,140	
Final 2018 dividend declared	-	-	-	-	-	-	-	(69,026)	(69,026)	-	(69,026)	
At 30 June 2019 (unaudited)	281	1,596,404	-	60,700	15,002	-	2,411	460,169	2,134,967	4,399	2,139,366	

* These reserve accounts comprise the condensed consolidated reserves of RMB2,818,015,000 (31 December 2019: RMB2,814,097,000) in the condensed consolidated statement of financial position as at 30 June 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Note	30 June 2020 RMB' 000 (Unaudited)	30 June 2019 RMB' 000 (Unaudited)
Net cash flows (used in)/from operating activities		(231,589)	17,122
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(9,977)	(8,487)
Acquisition of a subsidiary	17	–	247,380
Repayment from shareholders		712	–
Advance to associates		(527)	(235)
Repayment from associates		–	21,332
Interest received		1,416	1,692
Purchase of financial assets at fair value through profit or loss		(34,895)	–
Increase in pledged deposits		(112,162)	(12,013)
Net cash flows (used in)/from investing activities		(155,433)	249,669
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchase		(1,225)	–
New bank loans		819,870	140,000
Repayment of bank loans		(400,000)	(100,000)
Principal portion of lease payments		(5,333)	(5,024)
Repayment to shareholders		(50,526)	(6,371)
Dividend paid		–	(4,770)
Interest paid		(12,415)	(2,821)
Net cash flows from financing activities		350,371	21,014
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of period		910,871	115,364
Effect of foreign exchange rate changes, net		10,112	47
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		884,332	403,216
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		884,332	403,216

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. CORPORATE INFORMATION

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

2.1. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

Upon completion of purchase price allocation for the business combination during the year ended 31 December 2019, the interim comparative financial information for the six months ended 30 June 2019 has been retrospectively adjusted to reflect the final allocation of fair values of the net assets acquired during the six months ended 30 June 2020 (note 17).

2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of following International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IFRS 16	<i>Covid-19 Related Rent Concession</i> (early adopted)
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. The amendments did not have material impact on the financial position and performance of the Group.

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the sale and manufacture of medical equipment and consumables and the provision of 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

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Mainland China	969,788	908,294
Others	11,452	4,469
	981,240	912,763

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

(b) Non-current assets

	30 June 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
	Mainland China	1,714,206
Others	1,799	1,628
	1,716,005	1,723,931

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

3. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

During the six months ended 30 June 2020 and 2019, no revenue from transaction with a single customer amounted to 10% or more of the Group's total revenue.

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sales of trading goods	912,447	844,627
Sales of manufactured goods	738	1,883
Provision of consultancy and maintenance services	68,055	66,253
	981,240	912,763

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
<i>Types of goods and services</i>		
Sales of medical equipment	239,477	122,921
Sales of medical consumables	673,708	723,589
Provision of consultancy and maintenance services	68,055	66,253
Total revenue from contracts with customers	981,240	912,763

4. REVENUE (continued)

Revenue from contracts with customers (continued)

Disaggregated revenue information (continued)

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
<u>Types of customers</u>		
Sales to hospitals and healthcare institutions	95,920	110,667
Sales to logistics providers	36,190	41,932
Sales to distributors	781,075	693,911
Sales to service customers	68,055	66,253
Total revenue from contracts with customers	981,240	912,763
<u>Timing of revenue recognition</u>		
Goods transferred at a point in time	913,185	846,510
Services transferred over time	68,055	66,253
Total revenue from contracts with customers	981,240	912,763

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
<u>Other income</u>		
Bank interest income	1,416	1,542
Other interest income	–	150
Service income	–	2,152
Rental income	172	–
Government subsidies*	4,563	55
Others	273	506
	6,424	4,405
<u>Gains</u>		
Foreign exchange differences, net	1,482	835
Fair value gain on financial assets at fair value through profit or loss, net	386	–
	8,292	5,240

* 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. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Cost of inventories sold*	755,307	670,598
Cost of services provided*	31,754	26,998
Depreciation of owned assets	11,793	9,347
Depreciation of right-of-use assets	6,120	4,928
Amortisation of intangible assets	–	630
Research and development costs	1,598	1,199
Impairment/(reversal of impairment) of trade receivables	3,118	(476)
Foreign exchange differences, net	(1,482)	(835)
Fair value gain on financial assets at fair value through profit or loss, net	(386)	–
Loss on disposals of property, plant and equipment**	1,054	–

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

** This expense is included in "Other expenses" on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of the 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Tax on profits assessable in Mainland China has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% during the period.

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Current – Mainland China		
Charge for the period	23,708	41,128
Over provision for the period	(4,442)	–
Current – Hong Kong		
Charge for the period	5,388	448
Deferred	(393)	2,282
	24,261	43,858

8. DIVIDENDS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Dividend declared to the shareholders to the Company prior to the listing	–	160,000
2019 Final – HK5.366 cents (2018: RMB1.32) per ordinary shares	65,613	69,026
	65,613	229,026
2020 Interim – HK1.672 cents (2019: nil) per ordinary shares	19,873	–
	85,486	229,026

On 20 August 2020, the board of directors declared an interim dividend of HK1.672 cents (six months ended 30 June 2019: nil) per ordinary share, amounting to a total of approximately RMB19,873,000 (six months ended 30 June 2019: nil).

The proposed interim dividend subsequent to the reporting period has not been recognised as a liability at the end of the reporting period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares in issue during the period. The weighted average number of shares has been retrospectively adjusted for the effect of the capitalisation issue on the assumption that the capitalisation issue had been completed on 1 January 2019.

The calculations of the basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited) (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	38,281	298,503

	Number of shares Six months ended 30 June	
	2020	2019 (Restated)
Shares		
Weighted average number of ordinary shares in issue less treasury shares held by the Company during the period used in the basic earnings per share calculation	1,333,397,577	949,019,313
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	5,644,166	–
	1,339,041,743	949,019,313

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment of RMB9,977,000 (six months ended 30 June 2019: RMB8,487,000).

11. TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
Trade receivables	324,896	393,961
Bills receivables	2,261	–
	327,157	393,961
Impairment	(6,470)	(3,531)
	320,687	390,430

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

	30 June 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
Within 1 month	252,982	313,221
1 to 2 months	13,136	46,334
2 to 3 months	15,244	3,380
Over 3 months	39,325	27,495
	320,687	390,430

As at 30 June 2020, included in the Group's trade receivables were trade balances with the Group's related parties and associate of RMB3,668,000 and RMB3,000, respectively (31 December 2019: RMB2,381,000 and RMB69,000, respectively), which are repayable on credit terms similar to those offered to the major customers of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
Prepayments	241,761	207,842
Deposits and other receivables	16,226	4,448
Amounts due from associates	1,721	1,141
Amounts due from shareholders	1,842	1,296
Amounts due from related parties	48	299
	261,598	215,026

The amounts due from associates, shareholders and related parties are unsecured, non-interest-bearing and repayable on demand.

13. TRADE AND BILLS PAYABLES

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

	30 June 2020 RMB' 000 (Unaudited)	31 December 2019 RMB' 000 (Audited)
Within 1 month	25,770	51,772
1 to 2 months	49,151	25,389
2 to 3 months	29,281	44,620
Over 3 months	84,331	217,412
	188,533	339,193

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

14. OTHER PAYABLES AND ACCRUALS

	30 June 2020 RMB' 000	31 December 2019 RMB' 000
Contract liabilities	42,399	45,400
Other payables	12,306	39,438
Accruals	12,624	34,894
Deferred income	736	893
Lease liabilities	12,757	17,168
Dividends payables	65,357	–
Amounts due to shareholders	–	49,268
	146,179	187,061
Less: other payables included in non-current liabilities	(5,773)	(6,314)
	140,406	180,747

The amounts due to shareholders are unsecured, non-interest-bearing and repayable on demand.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	30 June 2020			31 December 2019		
		Effective interest rate (%)	Maturity	RMB' 000	Effective interest rate (%)	Maturity	RMB' 000
Current:							
Bank loans – unsecured	(a)	2.5 – 5.3	2020-2021	413,514	4.8 – 5.3	2020	204,000
Bank loan – unsecured	(b)	LIBOR+1.6 – LIBOR+2.1	2020	283,605	LIBOR+1.6	2020	69,531
				697,119			273,531

	30 June 2020 RMB' 000	31 December 2019 RMB' 000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	697,119	273,531

Notes:

- (a) The bank loans bear interest at fixed rates ranging from 2.5% to 5.3% (31 December 2019: 4.8% – 5.3%) and denominated in Renminbi.
- (b) The bank loan bears interest at floating rates ranging from LIBOR+1.6% to LIBOR+2.1% (31 December 2019: LIBOR+1.6%) and denominated in US dollars.

16. SHARE CAPITAL

Shares

	30 June 2020		31 December 2019	
	US\$	RMB' 000 (Unaudited)	US\$	RMB' 000 (Audited)
Authorised: 3,000,000,000 ordinary shares of US\$0.0005 each	1,501	10,280	1,501	10,280
Issued and fully paid: 1,333,400,000 ordinary shares of US\$0.0005 each	667	4,569	667	4,569

The Company repurchased 441,000 of its shares on the Stock Exchange at a total consideration of approximately RMB1,225,000 during the six months ended 30 June 2020. The repurchased shares were subsequently cancelled on 4 August 2020.

Details of the shares repurchased by the Company during the period are summarised below:

Date of repurchase	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregate price RMB' 000
30 June 2020	441,000	3.12	2.98	1,225

Share options

Details of the Company's share option scheme are set out in the section headed "Share Option Scheme" of this report.

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17. BUSINESS COMBINATION

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

The fair value of the identifiable assets acquired (including intangible assets) and liabilities assumed from the Acquisition was subject to the completion of valuation. On completion of the fair value assessments during the later half of 2019, upward adjustments made to the provisional calculation of net identifiable assets and the consideration (as at 30 June 2019) amounted to RMB4,478,000 and RMB206,131,000, respectively, with an increase in the reported value of goodwill of RMB201,653,000 and a decrease in gain on remeasurement of pre-existing interest in an associate amounted to RMB55,001,000. Accordingly, the interim comparative financial information for the six months ended 30 June 2019 has been retrospectively restated to reflect the final allocation of fair values of the net assets acquired.

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)

17. BUSINESS COMBINATION (continued)

The finalised fair values of the identifiable assets and liabilities of the 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	(21,923)
Deferred tax liabilities	(228,420)
Total identifiable net assets at fair value	1,214,821
Goodwill on acquisition	898,083
	2,112,904
Satisfied by:	
Promissory note	435,478
Fair value of pre-existing interest in Vastec	718,286
Consideration Shares	959,140
	2,112,904

30 June 2020

17. BUSINESS COMBINATION (continued)

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

No transaction cost was incurred for this acquisition.

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

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

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

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

Since the Acquisition, the Vastec Group contributed RMB701,632,000 to the Group's revenue and RMB87,401,000 to the consolidated profit for the six months ended 30 June 2019.

Had the Acquisition taken place at 1 January 2019, the revenue of the Group and the profit of the Group for the six months ended 30 June 2019 would have been RMB1,049,068,000 and RMB98,187,000, respectively.

18. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Sales of products:			
Beijing Sanpin Medical Technology Co., Ltd., Beijing Modern Vastec Medical Devices Co., Ltd and Jinqiao Vastec (Beijing) Medical Devices Co., Ltd (collectively, the "Connected Distributors")*	(i)	12,214	15,376
Shinva and its subsidiaries (collectively, "Shinva Group")	(ii)	1,722	–
Purchases of products:			
Vastec (Shanghai)	(iii)	–	11,177
Shinva Group	(iv)	88	1,954
Service expenses:			
Connected Distributors	(v)	4,671	1,080
Rental expenses:			
Shinva Group	(vi)	2,000	1,388

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18. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

- (i) The sales to related companies which are under control of Mr. Yao Lin, a substantial shareholder of IVD China and is a connected person of the Group, were made according to the prices and conditions mutually agreed by the Group and these companies.
- (ii) The sales to Shinva Group, were made according to the prices and conditions mutually agreed by the Group and the associate.
- (iii) The purchases from an associate, Vastec (Shanghai), up to the Acquisition Date were made according to the prices and conditions mutually agreed by the Group and the associate.
- (iv) The purchases from the Shinva Group were made according to the prices and conditions mutually agreed by the Group and Shinva Group.
- (v) The service expenses were based on the direct costs incurred.
- (vi) The rental expenses paid were based on the market rates.

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

	Six months ended 30 June	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Short term employee benefits	7,002	5,018
Equity-settled share option arrangement	25,582	–
Post-employment benefits	165	98
Total compensation paid to key management personnel	32,749	5,116

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2020 RMB' 000	31 December 2019 RMB' 000	30 June 2020 RMB' 000	31 December 2019 RMB' 000
Financial assets				
Financial assets at fair value through profit or loss	35,281	–	35,281	–

	Carrying amounts		Fair values	
	30 June 2020 RMB' 000	31 December 2019 RMB' 000	30 June 2020 RMB' 000	31 December 2019 RMB' 000
Financial liability				
Interest-bearing bank borrowings	697,119	273,351	678,153	264,300

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals and balances with shareholders and related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

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19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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 financial assets at fair value through profit or loss are determined based on valuation techniques for which the lowest level input which that is significant to the fair value measurement is observable, either directly or indirectly.

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 following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) RMB' 000 (Unaudited)	Significant observable inputs (Level 2) RMB' 000 (Unaudited)	Significant unobservable inputs (Level 3) RMB' 000 (Unaudited)	
				RMB' 000 (Unaudited)

Financial assets at fair value through profit or loss:

Unlisted funds	–	35,281	–	35,281
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19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

During the period, there were no transfers of fair value measurements between Level 1 and 2 and no transfer into or out of Level 3 (six months ended 30 June 2019: Nil).

20. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 20 August 2020.

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

As of 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are as follows:

Name of Directors	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Interest in the Company
Mr. Ho Kuk Sing ⁽²⁾⁽⁵⁾	Interest in a controlled corporation	175,517,429(L)	13.16%
	Beneficial owner	24,384,244(L)	1.83%
Mr. Leung King Sun ⁽³⁾⁽⁵⁾	Interest in a controlled corporation	175,517,429(L)	13.16%
	Beneficial owner	11,121,132(L)	0.83%
Mr. Lin Xianya ⁽⁴⁾⁽⁵⁾	Interest in a controlled corporation	112,664,041(L)	8.45%
	Beneficial owner	13,835,225(L)	1.04%

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

Notes:

- (1) The letter “L” denotes the Director’s long position in the Company’s shares (the “Shares”).
- (2) Mr. Ho Kuk Sing is the sole shareholder of KS&KL Investment Co. Limited, which holds 175,517,429 Shares. Therefore, Mr. Ho Kuk Sing is deemed to be interested in KS&KL Investment Co. Limited’s interest in the Shares pursuant to the SFO. The disclosed interest represents (i) 175,517,429 Shares in the Company held by KS&KL Investment Co. Limited; and (ii) 16,383,844 and 8,000,400 options held by Mr. Ho Kuk Sing under the ESOP and the Share Option Scheme, respectively.
- (3) Mr. Leung King Sun is the sole shareholder of King Sun Limited, which holds 175,517,429 Shares. Therefore, Mr. Leung is deemed to be interested in King Sun Limited’s interest in the Shares pursuant to the SFO. The disclosed interest represents (i) 175,517,429 Shares in the Company held by King Sun Limited; and (ii) 3,120,732 and 8,000,400 options held by Mr. Leung King Sun under the ESOP and the Share Option Scheme, respectively.
- (4) Mr. Lin Xianya is the sole shareholder of Lucan Investment Limited, which holds 112,664,041 Shares. Therefore, Mr. Lin Xianya is deemed to be interested in Lucan Investment Limited’s interest in the Shares pursuant to the SFO. The disclosed interest represents (i) 112,664,041 Shares in the Company held by Lucan Investment Limited; and (ii) 6,501,525 and 7,333,700 options held by Mr. Lin Xianya under the ESOP and the Share Option Scheme, respectively.
- (5) By virtue of the Common Control Confirmation, Mr. Ho Kuk Sing, Mr. Leung King Sun and Mr. Lin Xianya and their respective wholly-owned investment holding companies, namely KS&KL Investment Co. Limited, King Sun Limited and Lucan Investment Limited, collectively hold 463,698,899 Shares.

Save as disclosed above, as of 30 June 2020, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

To the best knowledge of Directors, as of 30 June 2020, the following persons (other than Directors or chief executives of the Company), had interests or short positions in the shares and the underlying shares of the Company, which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Interest in the Company
KS&KL Investment Co. Limited	Beneficial owner	175,517,429(L)	13.16%
King Sun Limited	Beneficial owner	175,517,429(L)	13.16%
Lucan Investment Limited	Beneficial owner	112,664,041(L)	8.45%
North Haven Private Equity Asia IVD Company Limited ⁽²⁾	Beneficial owner	92,646,730(L)	6.95%
North Haven Private Equity Asia IVD Holding Limited ⁽²⁾	Interest in a controlled corporation	92,646,730(L)	6.95%
North Haven Private Equity Asia IV Holdings Limited ⁽²⁾	Interest in a controlled corporation	92,646,730(L)	6.95%
North Haven Private Equity Asia IV, L.P. ⁽²⁾	Interest in a controlled corporation	92,646,730(L)	6.95%
Morgan Stanley Private Equity Asia IV, L.L.C. ⁽²⁾	Interest in a controlled corporation	92,646,730(L)	6.95%
Morgan Stanley Private Equity Asia IV, Inc. ⁽²⁾	Interest in a controlled corporation	92,646,730(L)	6.95%
MS Holdings Incorporated ⁽²⁾	Interest in a controlled corporation	92,646,730(L)	6.95%
Morgan Stanley & Co. International plc ⁽³⁾	Beneficial owner	638,033(L) 19(S)	0.05% 0.00%
Morgan Stanley Investments (UK) ⁽³⁾	Interest in a controlled corporation	638,033(L) 19(S)	0.05% 0.00%
Morgan Stanley International Limited ⁽³⁾	Interest in a controlled corporation	638,033(L) 19(S)	0.05% 0.00%
Morgan Stanley International Holdings Inc. ⁽³⁾	Interest in a controlled corporation	638,033(L) 19(S)	0.05% 0.00%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY (continued)

Name	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Interest in the Company
Morgan Stanley ⁽²⁾⁽³⁾	Interest in a controlled corporation	93,284,763(L) 19(S)	7.00% 0.00%
Huatuo International Development Co., Limited ⁽⁴⁾	Beneficial owner	443,654,371(L)	33.27%
Shinva Medical Instrument Co., Ltd ⁽⁴⁾	Interest in a controlled corporation	443,654,371(L)	33.27%

Notes:

- (1) The letter "L" denotes long position in the Shares and the letter "S" denotes short positions in the Shares.
- (2) North Haven Private Equity Asia IVD Company Limited is a wholly-owned subsidiary of North Haven Private Equity Asia IVD Holding Limited, which is in turn a wholly-owned subsidiary of North Haven Private Equity Asia IV Holdings Limited. North Haven Private Equity Asia IV Holdings Limited is a wholly-owned subsidiary of North Haven Private Equity Asia IV, L.P., which is in turn a wholly-owned subsidiary of Morgan Stanley Private Equity Asia IV, L.L.C. Morgan Stanley Private Equity Asia IV, L.L.C. is a wholly-owned subsidiary of Morgan Stanley Private Equity Asia IV, Inc., which is in turn a wholly-owned subsidiary of MS Holdings Incorporated. MS Holdings Incorporated is a wholly-owned subsidiary of Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in North Haven Private Equity Asia IVD Company Limited's interest in the Shares pursuant to the SFO.
- (3) Morgan Stanley & Co. International plc is a wholly-owned subsidiary of Morgan Stanley Investments (UK), which is in turn a wholly-owned subsidiary of Morgan Stanley International Limited. Morgan Stanley International Limited is a wholly-owned subsidiary of Morgan Stanley International Holdings Inc., which is in turn a wholly-owned subsidiary of Morgan Stanley. Therefore, Morgan Stanley is deemed to be interested in Morgan Stanley & Co. International plc's interest in the Shares pursuant to the SFO.
- (4) Huatuo International Development Co., Limited is a company incorporated under the laws of Hong Kong on 28 March 2011 and wholly owned by Shinva Medical Instrument Co., Ltd. Therefore, Shinva Medical Instrument Co., Ltd is deemed to be interested in Huatuo International Development Co., Limited's interest in the Shares pursuant to the SFO.

Save as disclosed above, no other persons had any interests or short positions in the shares and underlying shares of the Company as of 30 June 2020 as recorded in the register required to be kept under section 336 of the SFO.

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

Since 1 January 2020 and up to the date of this interim report, the Company has repurchased and cancelled 3,660,000 Shares at a total consideration of HKD10,776,590 on the Stock Exchange, among which 441,000 Shares were repurchased by the Company during the Reporting Period. Please refer to Note 16 to the interim condensed consolidated financial information included herein for more details. The Company has 1,329,740,000 Shares outstanding as of the date of this interim report.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares during the Reporting Period.

SHARE OPTION SCHEMES

A. Pre-IPO Share Option Scheme (ESOP)

The following is a summary of the principal terms of the ESOP of the Company as approved by the Board on 29 December 2017 and further amended by the Board on 27 March 2019, more details as set out in the Prospectus. The terms of the ESOP are not subject to the provisions of Chapter 17 to the Listing Rules.

(a) Purpose

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

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

SHARE OPTION SCHEMES (continued)

A. Pre-IPO Share Option Scheme (continued)

(b) Who may join

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

(c) Maximum number of underlying Shares

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

(d) Administration

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

- (i) select the employees, officers and Directors to whom the Management Options may be granted from time to time under the ESOP;
- (ii) determine whether and to what extent the Management Options are granted under the ESOP;
- (iii) determine the number of Shares or the amount of other consideration to be covered by each Management Option granted under the ESOP;

SHARE OPTION SCHEMES (continued)

A. Pre-IPO Share Option Scheme (continued)

(d) Administration (continued)

- (iv) approve forms of Management Option Agreement (as defined below) for use under the ESOP;
- (v) determine the terms and conditions of any Master Option or Management Option granted under the ESOP (including the Notice of Management Option Grant (as defined below) or any option agreement evidencing the grant of a Master Option or a Management Option executed by the Company and the Management Option Grantee);
- (vi) amend the terms of any outstanding Master Option or Management Option granted under the ESOP, provided that any amendment that would materially and adversely affect the Master Option Grantee's or the Management Option Grantee's rights under an outstanding Master Option or Management Option shall not be made without the Master Option Grantee's and/or the Management Option Grantee's written consent;
- (vii) construe and interpret the terms of the ESOP and the Master Options and Management Options, including, without limitation, any notice of award or option agreement granted pursuant to the ESOP;
- (viii) grant Management Options to employees, officers and Directors on such terms and conditions different from those specified in the ESOP as may, in the judgment of the Administrator, be necessary or desirable to further the purpose of the ESOP; and
- (ix) take such other action not inconsistent with the terms of the ESOP as the Administrator deems appropriate.

SHARE OPTION SCHEMES (continued)

A. Pre-IPO Share Option Scheme (continued)

(e) Option grants

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

(f) Term of the ESOP

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

(g) Exercise of option

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

SHARE OPTION SCHEMES (continued)**A. Pre-IPO Share Option Scheme (continued)****(g) Exercise of option (continued)**

- (i) if the consolidated net income attributable to equity shareholders of the Company, after tax and minority interest (and excluding any extraordinary or one-time income or gain) of the Company on a consolidated basis meets the respective target as set out below (the “Net Income Target”) in such calendar year, 20% of the Management Options (whenever granted) will vest and become exercisable:

Year	2017	2018	2019	2020	2021
Net Income Target (RMB million)	110	130	281	325	375

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

(h) Exercise price

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

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

SHARE OPTION SCHEMES (continued)

A. Pre-IPO Share Option Scheme (continued)

(h) Exercise price (continued)

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

- (i) if the Shares are traded on a securities exchange, the value shall be deemed to be the average of the security's closing prices on such exchange over the thirty-day period ending one day prior to such date, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;
- (ii) if the Shares are traded over the counter, the value shall be deemed to be the average of the closing prices over the thirty-day period ending three days prior to such date as reported in The Wall Street Journal or such other source as the Administrator deems reliable; and
- (iii) in the absence of an established market for the Shares of the type described in (i) and (ii) above, the Fair Market Value thereof shall be determined by the Administrator in good faith.

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

(i) Outstanding options granted

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

SHARE OPTION SCHEMES (continued)

A. Pre-IPO Share Option Scheme (continued)

(i) Outstanding options granted (continued)

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

Name ⁽¹⁾	Position	Options granted under the ESOP	Approximate percentage of the total number of Shares in issue as of the date of this interim report
Ho Kuk Sing (何鞠誠)	Chairman, executive Director and Chief Executive Officer	20,479,805	1.54%
Leung King Sun (梁景新)	Executive Director and Chief Operating Officer	3,900,915	0.29%
Lin Xianya (林賢雅)	Executive Director and General Manager	8,126,907	0.61%
Total		32,507,627	2.44%

Note:

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

SHARE OPTION SCHEMES (continued)

A. Pre-IPO Share Option Scheme (continued)

(i) *Outstanding options granted (continued)*

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

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

As of the date of this interim report, a total of 6,501,526 Management Options had lapsed in accordance with the terms of the ESOP. As a result, each of Mr. Ho Kuk Sing, Mr. Leung King Sun and Mr. Lin Xianya was entitled to exercise 16,383,844, 3,120,732 and 6,501,525 Management Options, respectively, subject to the terms of the ESOP as of the date of this interim report. No option has been exercised under the ESOP up to the date of this interim report.

B. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme, more details of which are set out in the Prospectus:

The Share Option Scheme is a share incentive scheme and is established to (a) attract and retain the best quality personnel for the development of the Group's businesses, (b) to provide additional incentives to the Qualifying Grantees (as defined below), and (c) to promote the long term financial success of the Group by aligning the interests of option holders to the Shareholders.

SHARE OPTION SCHEMES (continued)

B. Share Option Scheme (continued)

Subject to the provisions of the Listing Rules and applicable law and other regulations from time to time in force, the Board may, in its discretion, select Qualifying Grantees to whom options may be granted under the Share Option Scheme (the "Options").

"Qualifying Grantee" means any Eligible Person, any trust for the benefit of an Eligible Person or his immediate family members, or any company controlled by an Eligible Person or his immediate family members.

"Eligible Person" means (a) any employee (whether full-time or part-time employee) of any member of the Group or any affiliate and any person who is an officer of any member of the Group or any affiliate, (b) any person who is seconded to work for any member of the Group or any affiliates, (c) any consultant, agent, representative, adviser, customer, contractor of the Group or any affiliate, or (d) any business partner/ally/alliance, joint venture partner, supplier of goods or services to the Group or any affiliate or any employee thereof.

The number of Options that can be granted to any Qualifying Grantee during any 12-month period shall be subject to the restriction that the total number of Shares issued and to be issued upon exercise of Options (whether exercised or outstanding) granted in such 12-month period must not exceed 1% of the Shares in issue. Where any further grant of Options to a Qualifying Grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by the Shareholders in general meeting with the relevant Qualifying Grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting.

The total number of Shares available for issue under the Share Option Scheme is 133,340,000, representing 10% of the total number of Shares upon Listing.

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

SHARE OPTION SCHEMES (continued)

B. Share Option Scheme (continued)

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

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

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the Option is deemed to have been granted in accordance with the terms of the Share Option Scheme (the "Date of Grant"), which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (b) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Date of Grant; and
- (c) the nominal value of a Share.

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

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from 12 July 2019.

SHARE OPTION SCHEMES (continued)

B. Share Option Scheme (continued)

As of 30 June 2020, particulars of the Options granted under the Share Option Scheme are as follows:

Category of Participant	Date of Grant	Exercise Price ⁽¹⁾ (HK\$) ⁽²⁾	Options Granted	Exercisable Period	Outstanding as of 1 January 2020	Outstanding as of 30 June 2020	Exercised during the six months ended 30 June 2020	Expired/lapsed/cancelled during the six months ended 30 June 2020
Employees								
Seven employees	22 Nov 2019	3.042	3,333,500	22 Nov 2019 to 21 Nov 2024 ⁽³⁾	3,333,500	3,333,500	-	-
Directors								
Mr. Ho Kuk Sing	22 Nov 2019 ⁽¹⁾	3.042	8,000,400	3 Jun 2020 to 2 Jun 2025 ⁽⁴⁾	-	8,000,400	-	-
Mr. Leung King Sun	22 Nov 2019 ⁽¹⁾	3.042	8,000,400	3 Jun 2020 to 2 Jun 2025 ⁽⁴⁾	-	8,000,400	-	-
Mr. Lin Xianya	22 Nov 2019 ⁽¹⁾	3.042	7,333,700	3 Jun 2020 to 2 Jun 2025 ⁽⁴⁾	-	7,333,700	-	-
Total			26,668,000		3,333,500	26,668,000	-	-

Notes:

- (1) The Options were conditionally granted on 22 November 2019, subject to the Shareholders' approval at a general meeting of the Company. Ordinary resolutions approving the grant of such Options were duly passed by the Shareholders at the Company's annual general meeting held on 3 June 2020.
- (2) The exercise price of HK\$3.042 per Share represents the higher of: (i) the closing price of HK\$3.04 per Share as stated in the daily quotation sheet of the Stock Exchange on the date of grant; (ii) the average closing price of HK\$3.042 per Share as stated in the daily quotation sheets of by the Stock Exchange for the five business days immediately preceding the date of grant, namely, 15 November 2019 to 21 November 2019; and (iii) the nominal value of US\$0.0005 per Share.
- (3) The Options were vested immediately upon grant.
- (4) The Options were vested immediately upon obtaining approval of the Shareholders at the Company's annual general meeting held on 3 June 2020.

SHARE OPTION SCHEMES (continued)

B. Share Option Scheme (continued)

Fair values of the Options granted under the Share Option Scheme during the six months ended 30 June 2020, which were calculated using the binomial option pricing model as of the date of grant of such Option, are approximately HK\$20,695,000. The values of the option calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an Option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an Option. The following table lists the inputs to the model used:

	2020
Dividend yield (%)	3.84
Volatility (%)	45.25
Risk-free interest rate (%)	0.45
Expected life of options (year)	5

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules regarding Directors' securities transactions.

All Directors have confirmed, following specific enquiries by the Company, that they have complied with the Model Code throughout the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since 1 January 2020 and up to the date of this interim report, 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 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.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consists of 3 independent non-executive Directors, namely Mr. Lau Siu Ki (Chairman), Mr. Zhong Renqian and Mr. Leung Ka Sing.

This interim report has been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was of the opinion that the Group's unaudited interim condensed consolidated financial statements as contained in this interim report were prepared in accordance with applicable accounting standards. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

The unaudited condensed consolidated interim results of the Group for the Reporting Period have been reviewed by the Company's auditor, Ernst & Young.

SUBSEQUENT EVENT

The Group has had no material event since 30 June 2020 and up to the date of this interim report.

INTERIM DIVIDEND

On 20 August 2020, the Board resolved to declare the payment of an interim dividend of HK1.672 cents per Share for the six months ended 30 June 2020 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 8 September 2020, resulting in an appropriation of approximately RMB19,873 thousand. The above-mentioned interim dividend will be payable on 28 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company would be closed from Friday, 4 September 2020 to Tuesday, 8 September 2020, both days inclusive, during which no transfer of Shares would be registered. In order to qualify for the interim dividend, all completed transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 3 September 2020.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the Company's annual report for the year ended 31 December 2019, there is no change of information in respect of Directors that is required to be disclosed under Rule 13.51B(1) of the Listing Rules since 1 January 2020 and up to the date of this interim report.

DISCLOSURE OF INFORMATION

This interim report of the Group for the six months ended 30 June 2020 containing all the relevant information required by the Listing Rules has been published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ivdholding.com>).

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

Hong Kong, 20 August 2020