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華檢醫療控股有限公司

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

The board (the "Board") of directors (the "Directors", each a "Director") of IVD Medical Holding Limited (the "Company") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2020 (the "Reporting Period"), which have been reviewed by the Company's audit committee (the "Audit Committee") and have been approved by the Board on 20 August 2020. The financial highlights of the Group during the Reporting Period together with the comparative figures for the corresponding previous period are set out as follows:

	Six months ended 30 June		
	2020	2019	Change
	RMB'000	RMB '000	
	(Unaudited)	(Unaudited)	
		(Restated)	
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, 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 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 and potential investors with useful supplementary information to assess the performance of the Group's core operations.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

six months ended 30 June 2020

		Six months end	led 30 June
	Notes	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited) (Restated)
Revenue Cost of sales	4	981,240 (787,061)	912,763 (697,596)
Gross profit		194,179	215,167
Other income and gains Selling and distribution expenses Administrative expenses Other expenses Finance costs Share of profits of associates Gain on remeasurement of pre-existing interest in an associate (Impairment)/reversal of impairment of trade receivables Initial public offering expenses Profit before tax	5	8,292 (39,916) (85,803) (1,054) (12,415) 188	5,240 (34,008) (41,519) (1,001) (3,276) 5,123 208,759 476 (15,437)
Income tax expense	7	(24,261)	(43,858)
Profit for the period attributable to: Owners of the parent Non-controlling interests		36,092 38,281 (2,189)	295,666 298,503 (2,837)
Profit for the period		36,092	295,666

	Notes	Six months end 2020 RMB'000 (Unaudited)	led 30 June 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
Total comprehensive income/(loss) attributable to:			
Owners of the parent		45,173	296,375
Non-controlling interests		(2,424)	(2,850)
		42,749	293,525
Earnings per share attributable to ordinary equity holders of the parent			(Restated)
Basic (RMB cents)	9	2.87	31.45
Diluted (RMB cents)	9	2.86	31.45

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION $30\ June\ 2020$

	Notes	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB' 000</i> (Audited)
Non-current assets Property, plant and equipment Intangible assets Investments in associates Financial assets at fair value through profit or loss Deferred tax assets	10	75,715 1,635,885 4,405 35,281 3,950	83,776 1,635,885 4,270 - 3,459
Total non-current assets		1,755,236	1,727,390
Current assets Inventories Trade and bills receivables Prepayments, deposits and other receivables Pledged deposits Cash and cash equivalents Total current assets	11	705,861 320,687 261,598 119,813 884,332	618,892 390,430 215,026 7,651 910,871 2,142,870
Current liabilities Trade and bills payables Other payables and accruals Interest-bearing bank borrowings Tax payable	12	188,533 140,406 697,119 12,125	339,193 180,747 273,531 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

		30 June 2020	31 December 2019
	Notes	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		195,904	195,806
Other payables and accruals		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	13	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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP 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 14).

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
Amendments to IFRS 9, IAS 39
and IFRS 7

Definition of a business Interest Rate Benchmark Reform

Amendments to IFRS 16

Covid-19 Related Rent Concession (early adopted)

Amendments to IAS 1 and IAS 8

Definition of Material

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.
- (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	2019
	RMB'000	RMB'000
	(Unaudited)	(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 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Mainland China Others	1,714,206 1,799	1,722,303 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.

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	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
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	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods and services		
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
Types of customers		
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
Timing of revenue recognition		
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

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
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
Gains		
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

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(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.

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	2019
	RMB'000	RMB'000
	(Unaudited)	(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	2019
	RMB'000	RMB'000
	(Unaudited)	(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.

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 end 2020 <i>RMB'000</i> (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 Six months end 2020	
Shares Weighted average number of 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	31 December 2019
	<i>RMB'000</i> (Unaudited)	RMB'000 (Audited)
Trade receivables Bills receivables	324,896 2,261	393,961
Impairment	327,157 (6,470)	393,961 (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 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB</i> '000 (Audited)
Within 1 month 1 to 2 months 2 to 3 months Over 3 months	252,982 13,136 15,244 39,325	313,221 46,334 3,380 27,495

12. TRADE AND BILLS PAYABLES

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

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

13. SHARE CAPITAL

Shares

	30 Jun <i>US\$</i>	ne 2020 <i>RMB'000</i> (Unaudited)	31 Decem US\$	nber 2019 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

14. 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 whollyowned 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)

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

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
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
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Total identifiable net assets at fair value 1,214,821
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2,112,20
Satisfied by:
Promissory note 435,478
Fair value of pre-existing interest in Vastec 718,286
Consideration Shares 959,140
2,112,904

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

During the Reporting Period, the Group recorded a revenue of RMB981,240 thousand, representing an increase of 7.5% as compared to the corresponding period of 2019. The Group's profit for the period decreased by 87.8% to RMB36,092 thousand.

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- α2-plasmin inhibitor complex, 纖溶酶- α2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 successfully listed on the Stock Exchange in July 2019, 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 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.

Change RMB'000 Restated Revenue 981,240 912,763 7.5% Gross Profit 194,179 215,167 (9.8% Earnings before interest and depreciation and amortization (EBITDA) 90,681 357,705 (74.6% Revenue 74.6% Revenue 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% Revenue Ratios Gross profit margin (%) (Note 2) decreased by 19.8% 23.6% 3.8 percentage poin 19.8% 23.6% 23.6% 23.6% 23.
Revenue 981,240 912,763 7.5% Gross Profit 194,179 215,167 (9.8%) Earnings before interest and depreciation and amortization (EBITDA) 90,681 357,705 (74.6%) Profit attributable to owners of the parent 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) decreased by 3.8 percentage points
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Adjusted profit for the period margin (%) (Note 2) 3.7% 32.4% 28.7 percentage poin decreased by
6.3 % 11.2% 4.9 percentage poin
Return on assets (%) (Note 2) decreased by
0.9 % 13.7% 12.8 percentage poin
Return on equity (%) (Note 2) decreased by
1.4% 20.1% 18.7 percentage poin

	For the	une	
	2020	2019	Change
	RMB'000	RMB'000	
		(Restated)	
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	31 December	
	2020	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 as 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:

	For the six months ended 30 June				
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:

	\mathbf{F}	or the six	months ende	ed 30 June	
Product type	2020		201	9	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				0.7.0	(5.0%)
 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:

	Fo	or the six	months ende	d 30 June	
Sales channel	2020)	201	9	Change
	RMB'000	%	RMB'000	%	_
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 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:

	For the six months ended 30 June				
Business Segment	2020		2019)	Change
	RMB'000	%	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	<u>299</u>	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:

	Fo	r the six	months endo	ed 30 June	
Product type	2020		201	19	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 consumablesDistribution businessSelf-branded products business	536,278	71.0	573,315 851	85.3 0.1	(6.5%) (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	
Dusiness Segment	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Change
Distribution business – IVD analysers	<i>RMB'000</i> 20,747	8.7	<i>RMB'000</i> 24,661	20.1	(15.9%)
 IVD analysers IVD reagents and other consumables 	136,692	20.3	148,391	20.6	(7.9%)
Subtotal	157,439	<u>17.3</u>	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:

		For the six months ended 30 June			
Product type	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 consumablesDistribution businessSelf-branded products business	136,692 439	20.3 59.5	148,391 1,032	20.6 54.8	(7.9%) (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	
Other income			
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	
Gains			
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	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 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 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 and potential investors of the Company 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 Adjusted for non-operating items:	36,092	295,666	
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 to manage the liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

Borrowings

The Group's bank borrowings of RMB697,119 thousand of 30 June 2020 primarily consisted 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.

Charge of assets/pledge of 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.

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), which represented 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 has not had any significant hedging arrangements to manage foreign exchange risks but has been actively monitoring and overseeing its foreign exchange risks.

Credit risk

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

Liquidity risk

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

Capital expenditure

For the 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.

Contingent liabilities and guarantees

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

Gearing Ratio

As of 30 June 2020, the Group's gearing ratio (the gearing ratio is equivalent to total debt divided by total assets as of the end of the period) 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 any other companies.

Future plans for material investments and capital assets

As of 30 June 2020, the Group did not have any material 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.

Share Option Scheme

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

Subsequent event

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

SUPPLEMENTAL INFORMATION

Purchase, sale or redemption of the company's listed securities

Since 1 January 2020 and up to the date of this announcement, the Company has repurchased and cancelled 3,660,000 shares of the Company's listed securities.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by Directors.

All Directors have confirmed, following specific enquiries by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2020.

Compliance with the code on corporate governance practices

Since 1 January 2020 and up to the date of this announcement, save for the code provision addressed below, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the 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 consists of 3 independent non-executive Directors, namely Mr. Lau Siu Ki (Chairman), Mr. Zhong Renqian and Mr. Leung Ka Sing.

The Group's interim results for the six months ended 30 June 2020 have 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 results were prepared in accordance with applicable accounting standards. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

Interim dividend

On 20 August 2020, the Board resolved to declare the payment of an interim dividend of HK1.672 cents per share for 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 will be closed from Friday, 4 September 2020 to Tuesday, 8 September 2020, both days inclusive, during which no transfer of shares will 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.

Disclosure of information

This announcement has been published on the websites of the Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.ivdholding.com). The interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

By Order of the Board

IVD Medical Holding Limited

Ho Kuk Sing

Chairman and Executive Director

Hong Kong, 20 August 2020

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