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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1931)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 (the "**Reporting Period**"), which have been reviewed by the Company's audit committee (the "**Audit Committee**") and have been approved by the Board on 19 August 2019. 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		
	2019	2018	Variance
	RMB'000	*RMB'000*	
	(Unaudited)	(Unaudited)	
Revenue	**912,763**	170,888	434.1%
Gross profit	**215,167**	45,806	369.7%
Profit for the period	**350,667**	35,163	897.3%
Profit attributable to owners of the parent	**353,504**	36,115	878.8%
Adjusted profit for the period *(Note 1)*	**102,344**	41,608	146.0%
Adjusted profit attributable to owners of the parent	**105,181**	42,560	147.1%
Earnings per share			
Basic (RMB)	**4.40**	0.69	3.71
Diluted (RMB)	**4.40**	0.69	3.71
Adjusted earnings per share			
Basic (RMB)	**1.31**	0.81	0.50
Diluted (RMB)	**1.31**	0.81	0.50

For the six months ended 30 June 2019, the Group kept its rapid growth trend and successfully achieved a revenue of RMB912,763 thousand, which represented a significant increase of 434.1% as compared to the same period of 2018. Such significant increase was primarily due to (i) the consolidation of the financial results of Vastec Medical Limited ("**Vastec**") together with its subsidiaries after the completion of the acquisition of 60% shareholding interest in Vastec in January 2019 (the "**Acquisition**"), details of which are disclosed in the prospectus of the Company dated 29 June 2019 (the "**Prospectus**"); (ii) and the organic growth of the Group's distribution business.

The net profit of the Group for the six months ended 30 June 2019 also achieved a significant increase of 897.3% as compared to the same period of 2018. Such significant increase was primarily due to (i) the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition; and (ii) a gain on remeasurement of previously held interest in Vastec of approximately RMB263,760 thousand relating to the Acquisition.

Note 1: Adjusted profit for the period is calculated by profit for the period deducting gain on remeasurement of previously held interest in an associate and initial public offering expenses.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**912,763**	170,888
Cost of sales		**(697,596)**	(125,082)
Gross profit		**215,167**	45,806
Other income and gains	*5*	**5,240**	2,544
Selling and distribution expenses		**(34,008)**	(6,464)
Administrative expenses		**(41,519)**	(23,146)
Other expenses		**(1,001)**	(13)
Finance costs		**(3,276)**	–
Share of profits of associates		**5,123**	30,107
Gain on remeasurement of previously held interest in an associate		**263,760**	–
Reversal of impairment/(impairment) of trade receivables		**476**	(1,384)
Initial public offering expenses		**(15,437)**	(6,445)
Profit before tax	*6*	**394,525**	41,005
Income tax expense	*7*	**(43,858)**	(5,842)
Profit for the period		**350,667**	35,163
Profit attributable to:			
Owners of the parent		**353,504**	36,115
Non-controlling interests		**(2,837)**	(952)
Profit for the period		**350,667**	35,163

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
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		**664**	(1,624)
Share of other comprehensive income/(loss) of an associate		**911**	(117)
		1,575	(1,741)
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		**(3,716)**	2,715
Other comprehensive income/(loss) for the period, net of tax		**(2,141)**	974
Total comprehensive income for the period		**348,526**	36,137
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**351,376**	37,200
Non-controlling interests		**(2,850)**	(1,063)
		348,526	36,137
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (in RMB)	*9*	**4.40**	0.69

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019** **RMB'000** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**61,609**	41,815
Right-of-use assets		**17,273**	–
Goodwill	*10*	**703,069**	6,639
Other intangible assets	*11*	**907,668**	28,054
Investments in associates		**6,535**	595,326
Deferred tax assets		**1,552**	1,639
Total non-current assets		**1,697,706**	673,473
Current assets			
Inventories		**751,685**	51,408
Trade and bills receivables	*12*	**267,371**	162,350
Prepayments, deposits and other receivables		**141,444**	14,316
Amounts due from associates		**1,195**	22,292
Amounts due from shareholders		**1,888**	837
Pledged deposits		**23,823**	–
Cash and cash equivalents		**403,216**	115,364
Total current assets		**1,590,622**	366,567
Current liabilities			
Trade payables	*13*	**118,593**	36,454
Other payables and accruals		**79,909**	12,377
Interest-bearing bank borrowings		**110,000**	–
Lease liabilities		**10,973**	–
Amounts due to shareholders		**705,561**	320
Tax payable		**28,753**	20,611
Total current liabilities		**1,053,789**	69,762
Net current assets		**536,833**	296,805
Total assets less current liabilities		**2,234,539**	970,278

	Note	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Non-current liabilities			
Deferred tax liabilities		**195,529**	14,551
Lease liabilities		**7,008**	–
Total non-current liabilities		**202,537**	14,551
Net assets		**2,032,002**	955,727
Equity			
Equity attributable to owners of the parent			
Share capital	*14*	**280**	171
Reserves		**2,027,323**	948,307
		2,027,603	948,478
Non-controlling interests		**4,399**	7,249
Total equity		**2,032,002**	955,727

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Net cash flows from/(used in) operating activities		**17,122**	(8,797)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(8,487)**	(5,346)
Acquisition of a subsidiary	*15*	**247,380**	–
Advance to associates		**(235)**	–
Repayment from associates		**21,332**	6,880
Interest received		**1,692**	1,135
Decrease in pledged deposits		**(12,013)**	–
Net cash flows from investing activities		**249,669**	2,669
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**140,000**	–
Repayment of bank loans		**(100,000)**	–
Repayment of lease liabilities		**(5,024)**	–
Repayment to a related party		**–**	(467)
Repayment to shareholders		**(6,371)**	(231)
Dividends paid		**(4,770)**	–
Interest paid		**(2,821)**	–
Net cash flows from/(used in) financing activities		**21,014**	(698)
Net increase/(decrease) in cash and cash equivalents		**287,805**	(6,826)
Cash and cash equivalents at the beginning of period		**115,364**	79,307
Effect of foreign exchange rate changes, net		**47**	811
Cash and cash equivalents at the end of period		**403,216**	73,292
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**403,216**	73,292

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

IVD Medical Holding Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 July 2019 (the "**Listing**").

The Company is an investment holding company. During the six months ended 30 June 2019, the Company's subsidiaries were principally engaged in the sale and manufacture of medical equipment and consumables.

2.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**"). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018 included in the prospectus of the Company dated 29 June 2019 in connection with the Listing.

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 2018, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases,* Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

New definition of a lease

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

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for elective exemption for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets for leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase
	RMB'000
	(Unaudited)
Assets	
Increase in right-of-use assets	7,249
Increase in total assets	7,249
Liabilities	
Increase in lease liabilities	7,249
Increase in total liabilities	7,249

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
	(Unaudited)
Operating lease commitments as at 31 December 2018	7,418
Weighted average incremental borrowing rate as at 1 January 2019	4.9%
Discounted operating lease commitments as at 1 January 2019	7,273
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(24)
Lease liabilities as at 1 January 2019	7,249

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss and other comprehensive income

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the period are as follow:

	Right-of-use assets *RMB'000* (Unaudited)	**Lease liabilities** *RMB'000* (Unaudited)
As at 1 January 2019	7,249	7,249
Acquisition of a subsidiary *(note 15)*	12,874	13,227
Addition	2,063	2,063
Depreciation charge	(4,928)	–
Interest expense	–	455
Payments	–	(5,024)
Exchange realignment	15	11
As at 30 June 2019	17,273	17,981

The Group recognised rental expenses from short-term leases of RMB1,029,000 for the six months ended 30 June 2019.

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interest in an associate to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising loss of an associate and impairment of the net investment in the associate. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant 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. For the purpose of resource allocation and performance assessment, the Group's management focuses on the operating results of the Group as a whole. 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**908,294**	170,804
Others	**4,469**	84
	912,763	170,888

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

(b) Non-current assets

	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**1,695,654**	83,239
Others	**500**	588,595
	1,696,154	671,834

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

Information about major customers

During the period ended 30 June 2019, no revenue from any single customer accounted for 10% or more of the total revenue of the Group.

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of trading goods	**844,627**	167,475
Sales of manufactured goods	**1,883**	3,413
Provision of consultancy and maintenance services	**66,253**	–
	912,763	170,888

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods and services		
Sales of medical equipment	**122,921**	9,986
Sales of medical consumables	**723,589**	160,902
Provision of consultancy and maintenance services	**66,253**	–
Total revenue from contracts with customers	**912,763**	170,888
Types of customers		
Sales to hospitals and healthcare institutions	**110,667**	78,484
Sales to logistics providers	**41,932**	39,856
Sales to distributors	**693,911**	52,548
Sales to service customers	**66,253**	–
Total revenue from contracts with customers	**912,763**	170,888
Timing of revenue recognition		
Goods transferred at a point in time	**846,510**	170,888
Goods transferred over time	**66,253**	–
Total revenue from contracts with customers	**912,763**	170,888

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**1,542**	124
Other interest income	**150**	1,011
Service income	**2,152**	191
Rental income	**–**	17
Government subsidies*	**55**	60
Others	**506**	1,120
	4,405	2,523
Gains		
Foreign exchange differences, net	**835**	21
	5,240	2,544

* 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):

	Note	Six months ended 30 June **2019** ***RMB'000*** **(Unaudited)**	 2018 *RMB'000* (Unaudited)
Cost of inventories sold		**697,596**	125,082
Depreciation of items of property, plant and equipment		**9,347**	7,060
Depreciation of right-of-use assets		**4,928**	–
Amortisation of other intangible assets	*11*	**630**	630
Research and development costs		**1,199**	284
Impairment/(reversal of impairment) of trade receivables		**476**	(1,384)
Foreign exchange differences, net		**(835)**	(21)

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. 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 **2019** ***RMB'000*** **(Unaudited)**	 2018 *RMB'000* (Unaudited)
Current – Mainland China		
Charge for the period	**41,128**	5,903
Current – Hong Kong		
Charge for the period	**448**	–
Deferred	**2,282**	(61)
	43,858	5,842

8. DIVIDEND

	Six months ended 30 June **2019** ***RMB'000*** **(Unaudited)**	 2018 *RMB'000* (Unaudited)
Dividend declared to the then shareholders of the Company prior to the Listing		
Final 2018 dividend declared – RMB1.32 per ordinary share	**69,026**	–

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 80,290,734 and 52,239,658 in issue during the six months ended 30 June 2019 and 2018, respectively.

The Group had no potentially dilutive ordinary shares in issue during the period. The calculations of basic earnings per share is based on:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**353,504**	36,115
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**80,290,734**	52,239,658

10. GOODWILL

Group

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net carrying amount at beginning of the period/year	**6,639**	6,639
Acquisition from subsidiaries *(note 15)*	**696,430**	–
Net carrying amount at end of the period/year	**703,069**	6,639
Cost	**703,369**	6,939
Accumulated impairment	**(300)**	(300)
Net carrying amount	**703,069**	6,639

The goodwill as at 30 June 2019 included provisional goodwill of RMB696,430,000 arising from acquisition of Vastec Medical Limited ("**Vastec**") during the six months ended 30 June 2019, as the Group is in the process of completing valuation to assess the fair value of the identifiable assets acquired and liabilities assumed. The provisional goodwill may be adjusted upon the completion of the initial accounting for the business combinations during the measurement period, which shall not exceed one year from the acquisition date.

11. OTHER INTANGIBLE ASSETS

	Brand name *RMB'000*	Patents *RMB'000*	Total *RMB'000*
30 June 2019 (unaudited)			
At 1 January 2019			
Cost	**–**	**31,050**	**31,050**
Accumulated amortisation	**–**	**(2,996)**	**(2,996)**
	–	**28,054**	**28,054**
Cost at 1 January 2019, net of accumulated amortisation	**–**	**28,054**	**28,054**
Acquisition of a subsidiary *(note 15)*	**880,244**	**–**	**880,244**
Amortisation provided during the period	**–**	**(630)**	**(630)**
Cost at 30 June 2019, net of accumulated amortisation	**880,244**	**27,424**	**907,668**
At 30 June 2019			
Cost	**880,244**	**31,050**	**911,294**
Accumulated amortisation	**–**	**(3,626)**	**(3,626)**
	880,244	**27,424**	**907,668**

	Patents *RMB'000*	Total *RMB'000*
31 December 2018 (audited)		
At 1 January 2018		
Cost	31,050	31,050
Accumulated amortisation	(1,736)	(1,736)
	29,314	29,314
Cost at 1 January 2018, net of accumulated amortisation	29,314	29,314
Amortisation provided during the year	(1,260)	(1,260)
Cost at 31 December 2018, net of accumulated amortisation	28,054	28,054
At 31 December 2018		
Cost	31,050	31,050
Accumulated amortisation	(2,996)	(2,996)
	28,054	28,054

In the opinion of the directors, the brand name was determined to be indefinite useful life as there is no foreseeable limit to the period over which the brand name is expected to generate net cash inflows for the Group, and it can be renewed by the Group without significant cost. For the purposes of impairment testing, the brand name with an indefinite useful life set out in this note has been allocated to Vastec CGU as further detailed in note 11 to the condensed consolidated financial statements.

12. TRADE AND BILLS RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**264,508**	165,089
Bills receivables	**5,744**	–
Impairment	**(2,881)**	(2,739)
	267,371	162,350

The 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 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**205,555**	149,732
1 to 2 months	**11,243**	3,408
2 to 3 months	**4,576**	2,941
Over 3 months	**45,997**	6,269
	267,371	162,350

13. TRADE PAYABLES

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

Group

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**48,658**	36,087
1 to 2 months	**1,708**	293
2 to 3 months	**68,008**	–
Over 3 months	**219**	74
	118,593	36,454

14. SHARE CAPITAL

	30 June 2019		31 December 2018	
	Equivalent to		Equivalent to	
	US$	***RMB***	*US$*	*RMB*
		(Unaudited)		(Audited)
Issued and fully paid:				
84,578,797 (2018: 52,239,658) ordinary shares of US$0.0005 (2018: US$0.0005) each	**42,289**	**279,550**	26,120	171,120

On 25 January 2019, 32,339,139 ordinary shares were allotted and issued to Huatuo International Development Co. Limited ("**Huatuo**") as a consideration to acquire 60% interest in an associate, Vastec Medical Limited ("**Vastec**"), as further detailed in note 15 to the condensed consolidated financial statements.

On 12 July 2019, 915,421,203 ordinary shares were allotted and issued to existing shareholders by way of capitalisation from the share premium account and 333,400,000 ordinary shares were allotted and issued under the Company's initial public offering at the offer price of HK$3.07 per share.

15. BUSINESS COMBINATION

On 25 January 2019, the Group acquired an additional 60% interest in an associate, Vastec from Huatuo (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 in cash of RMB411,305,000 and 32,339,139 newly allotted shares of the Company (i.e, representing 38.2% of the enlarged equity interests of the Company as at 25 January 2019). Upon the completion of the Acquisition on 25 January 2019, the Group's interest in Vastec increased from 40% to 100%, and Vastec become a wholly owned subsidiary of the Group. The results of Vastec is consolidated into the Group's condensed consolidated financial statements. As at 30 June 2019, a cash consideration of RMB406,305,000 is yet to be settled.

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

	RMB'000
	(Unaudited)
Carrying value of previously held interest in Vastec	434,933
Less: Fair value of previously held interest in Vastec	(698,693)
Gain on remeasurement	(263,760)

The provisional fair values of the identifiable assets and liabilities of Vastec as at the date of acquisition were as follows:

	Provisional fair value recognised on acquisition ***RMB'000*** (Unaudited)
Property, plant and equipment	20,654
Right-of-use assets	12,874
Brand name *(note 11)*	880,244
Deferred tax assets	601
Inventories	805,181
Trade and bills receivables	132,484
Prepayments, deposits and other receivables	150,676
Pledged deposits	11,810
Cash and bank balances	252,380
Trade payables	(249,998)
Other payables and accruals	(100,652)
Interest-bearing bank borrowings	(70,000)
Lease liabilities	(13,227)
Amounts due to shareholders	(400,000)
Amount due to a related party	(21,377)
Tax payables	(21,923)
Deferred tax liabilities	(179,384)
Total identifiable net assets at fair value	1,210,343
Goodwill on acquisition *(note 10)*	696,430
	1,906,773
Satisfied by:	
Cash	411,305
Fair value of previously held interest in Vastec	698,693
Share-based payment	796,775
	1,906,773

The goodwill arising from the above acquisition is determined on a provisional basis as the Group is in the process of completing valuation to assess the fair values of the identificable assets acquired and liabilities assumed. The provisional fair values recognised on acquisition as shown above may be adjusted upon the completion of the initial accounting for the business combinations during the measurement period, which shall not exceed one year from the acquisition.

The fair values of the trade and bills receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to RMB132,484,000 and RMB150,676,000, respectively. All trade receivables and other receivables are expected to be collectible.

No transaction costs was incurred for this acquisition.

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000 (Unaudited)
Cash consideration paid	(5,000)
Cash and bank balances acquired	252,380
Net inflow of cash and cash equivalents included in cash flows from investing activities	247,380

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a leading distributor of In Vitro Diagnostic ("**IVD**") products in the People's Republic of China ("**PRC**"). In 2018, Vastec, a wholly-owned subsidiary of the Company after the Acquisition, was the fourth largest tier 1 IVD distributor in the PRC. Prior to the Acquisition, the Company and its subsidiaries (the "**Original Group**") was the third largest distributor in the Shanghai IVD market. 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.

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

During the Reporting Period, the Group recorded a revenue of RMB912,763 thousand, representing a significant increase of 434.1% as compared to the corresponding period of 2018. Such a significant increase was primarily due to the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition and the increase in revenue as a result of the continuous growth in the Original Group's distribution business. The profit for the period increased significantly by 897.3% to RMB350,667 thousand.

Acquisition of Vastec

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

Vastec was the fourth largest tier 1 IVD distributor in the PRC and 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 consecutively for the past 22 years. According to Frost & Sullivan, Sysmex haemostasis products had a market share of approximately 43.9% by revenue in 2018 in the PRC, representing the largest market share in the PRC haemostasis products market.

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

Business Segments

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

- ***Distribution Business***

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

  After Vastec became the Company's wholly-owned subsidiary, the revenue from distribution of IVD products through Vastec was consolidated into the Group. 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 and distributes them in the PRC. As of 30 June 2019, approximately 6,742 of Sysmex' haemostasis analysers were installed by the Group at hospitals and healthcare institutions in the PRC accumulatively.

  In the first half of 2019, the Group's product portfolio was expanded by Vastec's provision of 4 Thrombotic Markers[1] to the market. The 4 Thrombotic Markers are new products manufactured by Sysmex. These new products adopt high sensitive chemiluminesence technology, which may facilitate early diagnosis of thrombosis and fibrinolysis. As of 30 June 2019, approximately 31 Sysmex' analysers installed by the Group at the hospitals and healthcare institutions started to perform the 4 Thrombotic Markers.

  In addition, the Group provides solution services to the clinical laboratories of hospitals through Dacheng. This has enabled the Group to establish and maintain direct relationships with local medical practitioners so as to keep the Group close to the frontline of the medical practice and the market demand of IVD products. In 2018, Dacheng provided solution services to two Class III hospitals in the PRC (located in Shanghai and Shanxi, respectively). In the first half of 2019, Dacheng actively expanded its business by providing solution services to the third hospital which is located in Shandong Province and has successfully recognised revenue. Solution services contributed revenue of RMB49,329 thousand for the six months ended 30 June 2019, representing an increase of 13.2% as compared to RMB43,573 thousand for the six months ended 30 June 2018.

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- 2-plasmin inhibitor complex, 纖溶酶- 2纖纖酶抑制物複合物, 3) TM: Thrombomodulin 血栓調節蛋白,4) t-PAI-C: Tissue plasminogen activator/plasminogen activator inhibitor-1 complex組纖溶酶原激活物-纖溶酶原激活物抑制 -1複合物

Through years of operations, the Group has established an expansive distribution network across 29 provinces, municipalities and autonomous regions in the PRC with an extensive hospital coverage. As of 30 June 2019, the Group had 183 direct customers, including hospitals and healthcare institutions, and 737 distributors in its established distribution network. As of 30 June 2019, the Group also covered 1,272 Class III hospitals mainly through its sub-distribution networks in the PRC, which further enhanced the competitiveness of the Group.

- ***Maintenance services***

Apart from distributing IVD products in the PRC, the Group also 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 its end customers' haemostasis analysers. The maintenance services provided by Vastec generally include maintenance and repair services, installation services and end customer trainings. Vastec primarily provides its maintenance services to hospitals and healthcare institutions. During the Reporting Period, the maintenance services business has been sustainably and steadily developing.

- ***Self-branded Products Business – under brand name “ ”:***

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. (“**Suzhou DiagVita**”) and the Group's IVD analysers were produced by the Group's original equipment manufacturer. The Group distributes its self-developed IVD products under its own brand which includes IVD analysers and reagents primarily under the IVD testing category of Point-of-care testing (“**POCT**”).

During the years ended 31 December 2017 and 2018, factory of the Group underwent reset, adjustment and calibration of self-branded IVD analysers, in order to adapt the self-branded IVD analysers originally designed for use in the outpatient department to the emergency department in hospitals. The factory reset for the upgrade of self-branded IVD analysers of the Group can improve users' satisfaction and will have positive effect on self-branded business of the Group in the long run. The manufacturing and sales of such IVD analysers re-commenced in June 2019.

RESULTS OVERVIEW

The following table sets forth selected items of the consolidated statements of profit or loss of the Group for the periods indicated:

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	RMB'000	*RMB'000*
Revenue	**912,763**	170,888
Cost of sales	**(697,596)**	(125,082)
Gross profit	**215,167**	45,806
Other income and gains	**5,240**	2,544
Selling and distribution expenses	**(34,008)**	(6,464)
Administrative expenses	**(41,519)**	(23,146)
Other expenses	**(1,001)**	(13)
Finance costs	**(3,276)**	–
Share of profits of associates	**5,123**	30,107
Gain on remeasurement of previously held interest in an associate	**263,760**	–
Reversal of impairment/(impairment) of trade receivables	**476**	(1,384)
Initial public offering expenses	**(15,437)**	(6,445)
Profit before taxation	**394,525**	41,005
Income tax expense	**(43,858)**	(5,842)
Profit for the period	**350,667**	35,163

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 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. Following the Acquisition, the distribution value chain of the Group has been further integrated, which will in turn provide strong support for the Group's development in the future.

According to Frost & Sullivan, PRC IVD market at ex-factory price level is expected to reach RMB87.0 billion in 2019, with a year on year growth rate of 22.0%. By 2023, PRC IVD market at ex-factory price level is projected to reach RMB173.0 billion with a compound annual growth rate ("**CAGR**") of 19.4% during 2018 to 2023. In the future, IVD market is expected to grow with the aggravating trend of ageing population, the growth of medical expenses per capita and the progress of technology development.

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

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

Sales revenue of hemostasis analysis IVD products generated by tier 1 distributors in the PRC reached RMB4.3 billion in 2018 and is projected to reach RMB5.3 billion in 2019. By 2023, PRC tier 1 distributed hemostasis analysis IVD market is projected to reach RMB10.2 billion in terms of sales revenue with a CAGR of 18.8% during 2018 to 2023.

BUSINESS OUTLOOK AND DEVELOPMENT STRATEGIES

The Group will continue the growth and expansion of its operations in the PRC through the following strategic initiatives:

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 one to two new hospitals in 2019. 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 secure future development and sustainable growth of the Group. The Group intends to invest more resources to further improve its research and development capabilities by acquiring equipment, instruments and hiring experts in the relevant fields. The Group will engage in research projects to further develop its self-branded IVD products which are of promising market potential. The Group is also keen to further strengthen its product quality management, optimise the performance and applicability of self-developed products to improve market competitiveness. With a high cost performance ratio of own brand/domestic products, the Group is able to penetrate the mid to low-end market and to establish a broader customer base consisting of medical institutions in second or third-tier cities or those at grassroots level.

FINANCIAL REVIEW

Overview

The financial summary set out below is extracted or calculated from the 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 RMB912,763 thousand, representing an increase of RMB741,875 thousand or 434.1% as compared with the corresponding period of 2018.

During the Reporting Period, the Group recorded a profit for the period of RMB350,667 thousand, representing an increase of RMB315,504 thousand or 897.3% as compared with the corresponding period of 2018. Profit attributable to owners of the parent amounted to RMB353,504 thousand, representing an increase of RMB317,389 thousand or 878.8% as compared with the corresponding period of 2018.

Adjusted profit for the period amounted to RMB102,344 thousand, representing an increase of RMB60,736 thousand or 146.0% as compared with the corresponding period of 2018.

	Six months ended 30 June		
	2019	2018	Change
	RMB'000	*RMB'000*	
Operating Results			
Revenue	**912,763**	170,888	434.1%
Gross Profit	**215,167**	45,806	369.7%
Earnings before interest and depreciation and amortization (EBITDA)	**412,706**	48,695	747.5%
Profit attributable to owners of the parent	**353,504**	36,115	878.8%
Adjusted profit for the period *(Note 1)*	**102,344**	41,608	146.0%
Financial Ratios			
Gross profit margin (%) *(Note 2)*	**23.6%**	26.8%	decreased by 3.2 percentage point
Net profit margin (%) *(Note 2)*	**38.4%**	20.6%	increased by 17.8 percentage point
Adjusted profit for the period margin (%) *(Note 2)*	**11.2%**	24.3%	decreased by 13.1 percentage point
Return on assets (%) *(Note 2)*	**16.3%**	3.7%	increased by 12.6 percentage point
Return on equity (%) *(Note 2)*	**23.8%**	4.2%	increased by 19.6 percentage point
Average turnover days of trade receivables (days) *(Note 2)*	**42**	130	(88)
Average turnover days of inventory (days) *(Note 2)*	**104**	70	34
Average turnover days of trade payables (days) *(Note 2)*	**20**	51	(31)

	30 June 2019	31 December 2018	Change
Financial Position			
Total assets	**3,288,328**	1,040,040	216.2%
Equity attributable to owners of the parent	**2,027,603**	948,478	113.8%
Cash and cash equivalents	**403,216**	115,364	249.5%
Financial Ratios			
Current ratio (times) *(Note)*	**1.5**	5.3	(3.8)
Quick ratio (times) *(Note)*	**0.8**	4.5	(3.7)
Debt to equity ratio (times) *(Note)*	**0.1**	–	0.1

Note 1: The adjusted profit for the period does not include the gain on remeasurement of previously held interest in an associate and the initial public offering expenses.

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

Revenue

Revenue of the Group amounted to RMB912,763 thousand for the six months ended 30 June 2019, representing an increase of 434.1% compared to RMB170,888 thousand for the six months ended 30 June 2018. Such significant increase was primarily due to (i) the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition; (ii) and the organic growth of the Group's distribution business.

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	**Six months ended 30 June**				
	2019		2018		Change
	RMB'000	*%*	*RMB'000*	*%*	
Distribution business	**844,627**	**92.5%**	167,475	98.0%	404.3%
Maintenance services	**66,253**	**7.3%**	–	–	100.0%
Self-branded products business	**1,883**	**0.2%**	3,413	2.0%	(44.8%)
Total	**912,763**	**100.0**	170,888	100.0	434.1%

Revenue by product type

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

Product type	**Six months ended 30 June**				
	2019		2018		Change
	RMB'000	*%*	*RMB'000*	*%*	
IVD analysers					
– Distribution business	**122,921**	**14.5**	9,986	5.8	1,130.9%
– Self-branded products business	**–**	**0.0**	–	0.0	–
Subtotal	**122,921**	**14.5**	9,986	5.8	1,130.9%
IVD regents and other consumables					
– Distribution business	**721,706**	**85.3**	157,489	92.2	358.3%
– Self-branded products business	**1,883**	**0.2**	3,413	2.0	(44.8%)
Subtotal	**723,589**	**85.5**	160,902	94.2	349.7%
Total	**846,510**	**100.0**	170,888	100.0	395.4%

Revenue by channel

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

Sales channel	**Six months ended 30 June**				
	2019		2018		Change
	RMB'000	***%***	*RMB'000*	*%*	
Distribution business					
– Distributors	**692,028**	**81.8**	49,135	28.8	1,308.4%
– Hospitals and healthcare	**110,667**	**13.0**	78,484	45.9	41.0%
– Logistics providers	**41,932**	**5.0**	39,856	23.3	5.2%
Subtotal	**844,627**	**99.8**	167,475	98.0	404.3%
Self-branded products business					
– Distributors	**1,883**	**0.2**	3,413	2.0	(44.8%)
– Hospitals and healthcare	**–**	**–**	–	–	–
– Logistics providers	**–**	**–**	–	–	–
Subtotal	**1,883**	**0.2**	3,413	2.0	(44.8%)
Total	**846,510**	**100.0**	170,888	100.0	395.4%

Revenue by brand

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

Brand	**Six months ended 30 June**				
	2019		2018		Change
	RMB'000	***%***	*RMB'000*	*%*	
Sysmex	**793,416**	**86.9**	100,356	58.7	690.6%
Brand A	**15,713**	**1.7**	10,616	6.2	48.0%
Brand B	**14,373**	**1.6**	71	0.0	20,143.7%
Brand C	**10,009**	**1.1**	8,265	4.8	21.1%
Other brands	**77,369**	**8.5**	48,167	28.3	60.6%
Self-brand	**1,883**	**0.2**	3,413	2.0	(44.8%)
Total	**912,763**	**100.0**	170,888	100.0	434.1%

Geographical coverage

The table below sets out the breakdown of the Group's revenue of its distribution business by geographical coverage for the periods indicated:

Geographical region	Six months ended 30 June				
	2019		2018		Change
	RMB'000	*%*	*RMB'000*	*%*	
Eastern China[1]	**480,942**	**56.9**	161,523	96.4	197.8%
Southwestern China[2]	**96,944**	**11.5**	83	0.1	116,700.0%
Northern China[3]	**74,099**	**8.8**	5,477	3.3	1,252.9%
Central China[4]	**49,155**	**5.8**	207	0.1	23,646.4%
Southern China[5]	**67,382**	**8.0**	57	0.0	118,114.0%
Northwestern China[6]	**42,859**	**5.1**	–	0.0	100.0%
Northeastern China[7]	**27,901**	**3.3**	44	0.0	63,311.4%
Others[8]	**5,345**	**0.6**	84	0.1	6,263.1%
Total	**844,627**	**100.0**	167,475	100.0	404.3%

Notes:

1. Eastern China includes Shanghai, Jiangsu province, Zhejiang province, Fujian province, Jiangxi province, Anhui province, and Shandong province

2. Southwestern China includes Sichuan province, Yunnan province, Chongqing and Guizhou province

3. Northern China includes Beijing, Inner Mongolia autonomous region, Tianjin, Hebei and Shanxi province

4. Central China includes Hunan province, Henan province and Hubei province

5. Southern China includes Guangdong province and Guangxi province

6. Northwestern China includes Xinjiang autonomous region, Gansu province, Qinghai province, Ningxia autonomous region and Shaanxi province

7. Northeastern China includes Heilongjiang province, Liaoning province, Jilin province

8. During the Reporting Period, a small quantity of IVD products, such as analysers under the haematology and body fluid testing category, were sold to overseas customers (which include customers in Hong Kong and Macau for the purpose of this announcement).

Cost of sales

Cost of sales of the Group amounted to RMB697,596 thousand for the six months ended 30 June 2019, representing an increase of 457.7% compared to RMB125,082 thousand for the six months ended 30 June 2018. Such significant increase was primarily due to (i) the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition; (ii) and the organic growth of the Group's distribution business.

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	Six months ended 30 June 2019 RMB'000	%	2018 RMB'000	%	Change
Distribution business	**671,575**	**96.3**	124,570	99.6	439.1%
Maintenance services	**25,170**	**3.6**	–	0.0	100.0%
Self-branded products business	**851**	**0.1**	512	0.4	66.2%
Total	**697,596**	**100.0**	125,082	100.0	457.7%

Cost of sales by product type

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

Product type	Six months ended 30 June 2019 RMB'000	%	2018 RMB'000	%	Change
IVD analysers					
– Distribution business	**98,260**	**14.6**	8,721	7.0	1,026.7%
– Self-branded products business	**–**	**0.0**	–	0.0	–
Subtotal	**98,260**	**14.6**	8,721	7.0	1,026.7%
IVD regents and other consumables					
– Distribution business	**573,315**	**85.3**	115,849	92.6	394.9%
– Self-branded products business	**851**	**0.1**	512	0.4	66.2%
Subtotal	**574,166**	**85.4**	116,361	93.0	393.4%
Total	**672,426**	**100.0**	125,082	100.0	437.6%

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. Gross profit of the Group amounted to RMB215,167 thousand for the six months ended 30 June 2019, representing an increase of 369.7% compared to RMB45,806 thousand for the six months ended 30 June 2018. Such significant increase was primarily due to (i) the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition; (ii) and the organic growth of the Group's distribution business.

Gross profit margin is calculated as gross profit divided by revenue. Gross profit margin of the Group was 23.6% for the six months ended 30 June 2019, down from 26.8% for the six months ended 30 June 2018, which was primarily owing to (i) the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition; (ii) and gross profit margin of Vastec was lower than that of the Original Group.

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:

	Six months ended 30 June				
Business Segment	**2019**		2018		Change
	Gross profit *RMB'000*	**Gross profit margin** *%*	Gross profit *RMB'000*	Gross profit margin *%*	
Distribution business					
– IVD analysers	**24,661**	**20.1**	1,265	12.7	1,849.5%
– IVD regents and other consumables	**148,391**	**20.6**	41,640	26.4	256.4%
Subtotal	**173,052**	**20.5**	42,905	25.6	303.3%
Maintenance services	**41,083**	**62.0**	–	0.0	100.0%
Self-branded products business					
– IVD analysers	**–**	**0.0**	–	0.0	–
– IVD regents and other consumables	**1,032**	**54.8**	2,901	85.0	(64.4%)
Subtotal	**1,032**	**54.8**	2,901	85.0	(64.4%)
Total	**215,167**	**23.6**	45,806	26.8	369.7%

Gross profit and gross profit margin by product type

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

Product type	**Six months ended 30 June**				
	2019		2018		Change
	Gross profit *RMB'000*	**Gross profit margin** *%*	Gross profit RMB'000	Gross profit margin %	
IVD analysers					
– Distribution business	**24,661**	**20.1**	1,265	12.7	1,849.5%
– Self-branded products business	**–**	**0.0**	–	0.0	–
Subtotal	**24,661**	**20.1**	1,265	12.7	1,849.5%
IVD regents and other consumables					
– Distribution business	**148,391**	**20.6**	41,640	26.4	256.4%
– Self-branded products business	**1,032**	**54.8**	2,901	85.0	(64.4%)
Subtotal	**149,423**	**20.7**	44,541	27.7	235.5%
Total	**174,084**	**20.6**	45,806	26.8	280.0%

Other income and gains

Other income amounted to RMB5,240 thousand for the six months ended 30 June 2019, representing an increase of 106.0% compared to RMB2,544 thousand for the six months ended 30 June 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Other income		
Bank interest income	**1,542**	124
Other interest income	**150**	1,011
Service income	**2,152**	191
Rental income	**–**	17
Government subsidies	**55**	60
Others	**506**	1,120
	4,405	2,523
Gains		
Foreign exchange differences, net	**835**	21
	5,240	2,544

Selling and distribution expenses

Selling and distribution expenses amounted to RMB34,008 thousand for the six months ended 30 June 2019, representing an increase of 426.1% compared to RMB6,464 thousand for the six months ended 30 June 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Staff costs	**15,850**	2,684
Transportation	**5,436**	426
Travelling and entertainment fees	**3,132**	1,421
Maintenance fees	**2,414**	1,263
Office expenses	**2,094**	179
Promotion fees	**1,741**	416
Depreciation costs	**1,215**	–
Others	**2,126**	75
	34,008	6,464

General and administrative expenses

General and administrative expenses amounted to RMB41,519 thousand for the six months ended 30 June 2019, representing an increase of 79.4% compared to RMB23,146 thousand for the six months ended 30 June 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Staff costs	**15,716**	8,730
Depreciation and amortization costs	**12,374**	7,093
Legal and professional fees	**3,035**	823
Travelling and entertainment fees	**2,372**	2,230
Office expenses	**1,997**	541
Research and development costs	**1,199**	284
Rent and rates	**793**	2,076
Others	**4,033**	1,369
	41,519	23,146

Other expenses

Other expenses amounted to RMB1,001 thousand for the six months ended 30 June 2019, representing an increase of 7,600.0% compared to RMB13 thousand for the six months ended 30 June 2018. Such significant increase was primarily due to the consolidation of Vastec together with its subsidiaries after the completion of the Acquisition.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Inventory impairment loss	**939**	–
Sponsorship of activities	**30**	10
Others	**32**	3
	1,001	13

Finance costs

Finance costs amounted to RMB 3,276 thousand for the six months ended 30 June 2019, representing an increase of 100.0% compared to nil for the six months ended 30 June 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition.

Share of profits of associates

Share of profits of associates primarily related to profits realized from Vastec prior to the Acquisition.

Income tax

Income tax amounted to RMB43,858 thousand for the six months ended 30 June 2019, representing an increase of 650.7% compared to RMB5,842 thousand for the six months ended 30 June 2018. Such significant increase was primarily due to the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition.

Liquidity and financial resources

As of 30 June 2019, the Group had cash and cash equivalents of RMB403,216 thousand, as compared to RMB115,364 thousand as of 31 December 2018. The Board's approach 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.

Net current assets

The Group had net current assets of RMB536,833 thousand as at 30 June 2019, representing an increase of RMB240,028 thousand as compared with RMB296,805 thousand as of 31 December 2018. Such increase was primarily attributable to the consolidation of the financial results of Vastec together with its subsidiaries after the completion of the Acquisition.

Interest rate risk

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

Foreign currency risk

The Group faces transactional currency exposures arising from bank deposits held by operating units in currencies other than the units' functional currency. The currencies giving rise to such risk are primarily US$ and HK$. For the six months ended 30 June 2019, the Group recorded a net exchange gain of RMB835 thousand, as compared to an exchange gain of RMB21 thousand for the six months ended 30 June 2018. So far, 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 2019, the Group's total capital expenditure amounted to approximately RMB8,487 thousand, which was primarily used in property, plant and equipment.

Charge of assets/pledge of assets

As of 30 June 2019, bank deposits of approximately RMB23,823 thousand were pledged to secure the Group's letter of credit.

Borrowings

The Group's bank borrowings primarily consisted of short-term working capital loans dominated in Renminbi.

Contingent liabilities

As of 30 June 2019, the Group did not have any material contingent liabilities (as of 31 December 2018: nil).

Significant investments

As of 30 June 2019, the Group did not hold any other significant investments in the equity interests of any other companies.

Future plans for material investments and capital assets

As of 30 June 2019, the Group did not have other plans for material investments and capital assets, save for the planned capital expenditure as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Employee and remuneration policy

As of 30 June 2019, the Group had 579 employees (30 June 2018: 111 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended 30 June 2019 amounted to RMB28,195 thousand (for the six months ended 30 June 2018: RMB8,792 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

On 12 July 2019, listing of and dealing in the ordinary shares of US$0.0005 each of the Company on the Stock Exchange commenced (the "**Listing**"). Upon Listing, the authorised share capital of the Company was US$1,500,000 divided into 3,000,000,000 ordinary shares of US$0.0005 each and the issued share capital of the Company was US$666,700 divided into 1,333,400,000 ordinary shares of US$0.0005 each.

Saved as disclosed above, the Group has had no material event since 30 June 2019.

Use of proceeds from initial public offering

The proceeds from the initial public offering of the Company were approximately HKD1,024 million. The net proceeds from the initial public offering of the Company (after deducting the underwriting commissions, discretionary incentive fees and estimated expenses) will be utilized in accordance with the Prospectus.

SUPPLEMENTAL INFORMATION

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

Since 12 July 2019, the date of Listing (the "**Listing Date**") and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the Acquisition, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2019. Please refer to section headed "*History, Reorganisation and Corporate Structure – Reorganisation – (7) Subscription and transfer of Shares in our Company by the Pre-IPO Investors – Phase 2: Pre-IPO Investment in 2019 with Huatuo*" in the Prospectus for more details on the Acquisition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Since the Listing Date and up to the date of this announcement, save as provisions addressed below, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code 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 in 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, 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 2019 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.

INDEPENDENT REVIEW OF AUDITORS

The interim financial report for the six months ended 30 June 2019 is unaudited, but has been reviewed by Ernst & Young, 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, whose unmodified review report is included in the interim report to be sent to the shareholders.

INTERIM DIVIDEND

The Board has resolved not to recommend declaring any interim dividend for the six months ended 30 June 2019.

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 2019 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, 19 August 2019

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.