

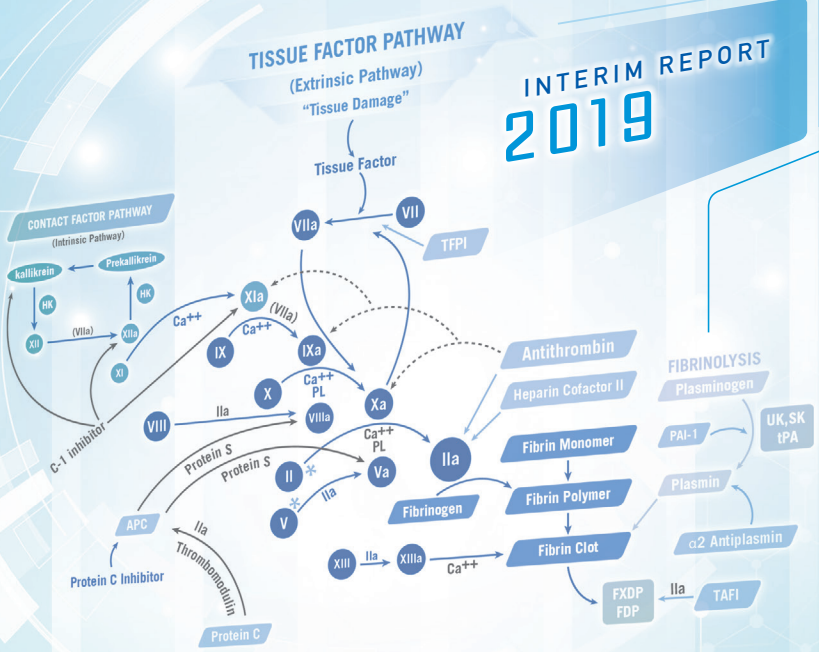


# IVD MEDICAL HOLDING LIMITED 華檢醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1931

## INTERIM REPORT 2019



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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

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

Mr. Leung King Sun

Mr. Lin Xianya

### Non-executive Directors

Mr. Chen Xingang

Mr. Yang Zhaoxu

Mr. Chan Kwok King, Kingsley

### Independent Non-executive Directors

Mr. Lau Siu Ki

Mr. Zhong Renqian

Mr. Leung Ka Sing

### COMPANY SECRETARY

Ms. Lam Wai Yan

### AUTHORISED REPRESENTATIVES

Mr. Leung King Sun

Ms. Lam Wai Yan

### AUDIT COMMITTEE

Mr. Lau Siu Ki (*Chairman*)

Mr. Zhong Renqian

Mr. Leung Ka Sing

### REMUNERATION COMMITTEE

Mr. Lau Siu Ki (*Chairman*)

Mr. Leung King Sun

Mr. Leung Ka Sing

## NOMINATION COMMITTEE

Mr. Ho Kuk Sing (*Chairman*)

Mr. Lau Siu Ki

Mr. Leung Ka Sing

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

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

Room 602, Building 6

Lane 299, Bisheng Road

Zhangjiang Hi-Tech Park

Pudong New Area District

Shanghai

China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1703

Grandtech Centre

8 On Ping Street

Sha Tin

Hong Kong

## AUDITOR

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

## HONG KONG LEGAL ADVISER

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

## COMPLIANCE ADVISER

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman)  
Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPANY WEBSITE

[www.ivdholding.com](http://www.ivdholding.com)

## PRINCIPAL BANKERS

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

## LISTING INFORMATION AND STOCK CODE

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

## FINANCIAL HIGHLIGHTS

### Six months ended 30 June

	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)	Variance
Revenue	<b>912,763</b>	170,888	434.1%
Gross Profit	<b>215,167</b>	45,806	369.7%
Profit for the period	<b>350,667</b>	35,163	897.3%
Profit attributable to owners of the parent	<b>353,504</b>	36,115	878.8%
Adjusted profit for the period (Note 1)	<b>102,344</b>	41,608	146.0%
Adjusted profit attributable to owners of the parent	<b>105,181</b>	42,560	147.1%
<b>Earnings per share</b>			
Basic (RMB)	<b>4.40</b>	0.69	3.71
Diluted (RMB)	<b>4.40</b>	0.69	3.71
<b>Adjusted earnings per share</b>			
Basic (RMB)	<b>1.31</b>	0.81	0.50
Diluted (RMB)	<b>1.31</b>	0.81	0.50

For the six months ended 30 June 2019, IVD Medical Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") kept its rapid growth trend and successfully achieved a revenue of RMB912,763 thousand, representing 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 as disclosed in the prospectus of the Company dated 29 June 2019 (the "Prospectus"); and (ii) 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.

# 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, its wholly-owned subsidiary 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 six months ended 30 June 2019 (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 equity 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 the Frost & Sullivan, Sysmex haemostasis products had a market share of approximately 43.9% by revenue in 2018 in the PRC, representing the largest market share in the PRC haemostasis products market.

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 have been installed by the Group at hospitals and healthcare institutions accumulatively.



In the first half of 2019, the Group's product portfolio was expanded by Vastec's provision of 4 Thrombotic Markers<sup>1</sup> to the market. The 4 Thrombotic Markers are new products manufactured by Sysmex. These new products adopt high sensitive chemiluminescence 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% compared to RMB43,573 thousand for the six months ended 30 June 2018.

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.

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

- **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 “IVD”:**

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 condensed consolidated statement of profit or loss of the Group for the periods indicated:

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



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

	30 June 2019	31 December 2018	Change
<b>Financial Position</b>			
Total assets	<b>3,288,328</b>	1,040,040	216.2%
Equity attributable to owners of the parent	<b>2,027,603</b>	948,478	113.8%
Cash and cash equivalents	<b>403,216</b>	115,364	249.5%
<b>Financial Ratios</b>			
Current ratio (times) (Note 2)	<b>1.5</b>	5.3	(3.8)
Quick ratio (times) (Note 2)	<b>0.8</b>	4.5	(3.7)
Debt to equity ratio (times) (Note 2)	<b>0.1</b>	–	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; and (ii) 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	<b>844,627</b>	<b>92.5%</b>	167,475	98.0%	404.3%
Maintenance services	<b>66,253</b>	<b>7.3%</b>	–	–	100.0%
Self-branded products business	<b>1,883</b>	<b>0.2%</b>	3,413	2.0%	(44.8%)
<b>Total</b>	<b>912,763</b>	<b>100.0</b>	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	<b>122,921</b>	<b>14.5</b>	9,986	5.8	1,130.9%
– Self-branded products business	–	<b>0.0</b>	–	0.0	–
Subtotal	<b>122,921</b>	<b>14.5</b>	9,986	5.8	1,130.9%
IVD regents and other consumables					
– Distribution business	<b>721,706</b>	<b>85.3</b>	157,489	92.2	358.3%
– Self-branded products business	<b>1,883</b>	<b>0.2</b>	3,413	2.0	(44.8%)
Subtotal	<b>723,589</b>	<b>85.5</b>	160,902	94.2	349.7%
Total	<b>846,510</b>	<b>100.0</b>	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	2019		2018		Change
	RMB' 000	%	RMB' 000	%	
<b>Six months ended 30 June</b>					
Distribution business					
– Distributors	<b>692,028</b>	<b>81.8</b>	49,135	28.8	1,308.4%
– Hospitals and healthcare	<b>110,667</b>	<b>13.0</b>	78,484	45.9	41.0%
– Logistics providers	<b>41,932</b>	<b>5.0</b>	39,856	23.3	5.2%
Subtotal	<b>844,627</b>	<b>99.8</b>	167,475	98.0	404.3%
Self-branded products business					
– Distributors	<b>1,883</b>	<b>0.2</b>	3,413	2.0	(44.8%)
– Hospitals and healthcare	–	–	–	–	–
– Logistics providers	–	–	–	–	–
Subtotal	<b>1,883</b>	<b>0.2</b>	3,413	2.0	(44.8%)
Total	<b>846,510</b>	<b>100.0</b>	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	%	
Systemex	<b>793,416</b>	<b>86.9</b>	100,356	58.7	690.6%
Brand A	<b>15,713</b>	<b>1.7</b>	10,616	6.2	48.0%
Brand B	<b>14,373</b>	<b>1.6</b>	71	0.0	20,143.7%
Brand C	<b>10,009</b>	<b>1.1</b>	8,265	4.8	21.1%
Other brands	<b>77,369</b>	<b>8.5</b>	48,167	28.3	60.6%
Self-brand	<b>1,883</b>	<b>0.2</b>	3,413	2.0	(44.8%)
<b>Total</b>	<b>912,763</b>	<b>100.0</b>	170,888	100.0	434.1%

### Geographical coverage

The table below sets out the breakdown of the Group's revenue of 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 <sup>(1)</sup>	<b>480,942</b>	<b>56.9</b>	161,523	96.4	197.8%
Southwestern China <sup>(2)</sup>	<b>96,944</b>	<b>11.5</b>	83	0.1	116,700.0%
Northern China <sup>(3)</sup>	<b>74,099</b>	<b>8.8</b>	5,477	3.3	1,252.9%
Central China <sup>(4)</sup>	<b>49,155</b>	<b>5.8</b>	207	0.1	23,646.4%
Southern China <sup>(5)</sup>	<b>67,382</b>	<b>8.0</b>	57	0.0	118,114.0%
Northwestern China <sup>(6)</sup>	<b>42,859</b>	<b>5.1</b>	–	0.0	100.0%
Northeastern China <sup>(7)</sup>	<b>27,901</b>	<b>3.3</b>	44	0.0	63,311.4%
Others <sup>(8)</sup>	<b>5,345</b>	<b>0.6</b>	84	0.1	6,263.1%
<b>Total</b>	<b>844,627</b>	<b>100.0</b>	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 province 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 and 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 interim report).

### Cost of sales

Our cost of sales 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; and (ii) 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		2018		Change
	RMB' 000	%	RMB' 000	%	
Distribution business	<b>671,575</b>	<b>96.3</b>	124,570	99.6	439.1%
Maintenance services	<b>25,170</b>	<b>3.6</b>	–	0.0	100.0%
Self-branded products business	<b>851</b>	<b>0.1</b>	512	0.4	66.2%
<b>Total</b>	<b>697,596</b>	<b>100.0</b>	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 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	<b>98,260</b>	<b>14.6</b>	8,721	7.0	1,026.7%
– Self-branded products business	–	<b>0.0</b>	–	0.0	–
Subtotal	<b>98,260</b>	<b>14.6</b>	8,721	7.0	1,026.7%
IVD regents and other consumables					
– Distribution business	<b>573,315</b>	<b>85.3</b>	115,849	92.6	394.9%
– Self-branded products business	<b>851</b>	<b>0.1</b>	512	0.4	66.2%
Subtotal	<b>574,166</b>	<b>85.4</b>	116,361	93.0	393.4%
Total	<b>672,426</b>	<b>100.0</b>	125,082	100.0	437.6%

### Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. Our gross profit 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; and (ii) the organic growth of the Group's distribution business.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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; and (ii) gross profit margin of Vastec which 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:

Business Segment	Six months ended 30 June				
	2019		2018		Change
	Gross profit RMB' 000	Gross profit margin %	Gross profit RMB' 000	Gross profit margin %	
Distribution business					
– IVD analysers	<b>24,661</b>	<b>20.1</b>	1,265	12.7	1,849.5%
– IVD reagents and other consumables	<b>148,391</b>	<b>20.6</b>	41,640	26.4	256.4%
Subtotal	<b>173,052</b>	<b>20.5</b>	42,905	25.6	303.3%
Maintenance services	<b>41,083</b>	<b>62.0</b>	–	0.0	100.0%
Self-branded products business					
– IVD analysers	–	<b>0.0</b>	–	0.0	–
– IVD reagents and other consumables	<b>1,032</b>	<b>54.8</b>	2,901	85.0	(64.4%)
Subtotal	<b>1,032</b>	<b>54.8</b>	2,901	85.0	(64.4%)
Total	<b>215,167</b>	<b>23.6</b>	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 of distribution business and self-branded products business 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	<b>24,661</b>	<b>20.1</b>	1,265	12.7	1,849.5%
– Self-branded products business	–	<b>0.0</b>	–	0.0	–
Subtotal	<b>24,661</b>	<b>20.1</b>	1,265	12.7	1,849.5%
IVD reagents and other consumables					
– Distribution business	<b>148,391</b>	<b>20.6</b>	41,640	26.4	256.4%
– Self-branded products business	<b>1,032</b>	<b>54.8</b>	2,901	85.0	(64.4%)
Subtotal	<b>149,423</b>	<b>20.7</b>	44,541	27.7	235.5%
Total	<b>174,084</b>	<b>20.6</b>	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.

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2018</b>
	<b>RMB' 000</b>	<b>RMB' 000</b>
Staff costs	<b>15,850</b>	2,684
Transportation	<b>5,436</b>	426
Travelling and entertainment fees	<b>3,132</b>	1,421
Maintenance fees	<b>2,414</b>	1,263
Office expenses	<b>2,094</b>	179
Promotion fees	<b>1,741</b>	416
Depreciation costs	<b>1,215</b>	–
Others	<b>2,126</b>	75
	<b>34,008</b>	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 RMB'000	2018 RMB'000
Staff costs	15,716	8,730
Depreciation and amortisation 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
	<b>41,519</b>	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 the financial results of Vastec together with its subsidiaries after the completion of the Acquisition.

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

### Finance costs

Finance costs amounted to RMB3,276 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 (primarily denominated in HK\$, RMB and US\$), as compared to RMB115,364 thousand as of 31 December 2018. The approach adopted by the board (the “Board”) of directors of the Company (the “Directors”) to manage the liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group’s reputation.

### Capital Structure

As at 30 June 2019, the Group’s total equity attributable to owners of the parent was RMB2,027,603 thousand (31 December 2018: RMB948,478 thousand), which represented share capital of RMB280 thousand (31 December 2018: RMB171 thousand) and reserves of RMB2,027,323 thousand (31 December 2018: RMB948,307 thousand). The increase in total equity attributable to owners of the parent 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) the organic growth of the Group’s distribution business.

### 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 denominated in RMB.

### **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 (31 December 2018: 114 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.

### **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.



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

安永會計師事務所  
香港中環添美道1號  
中信大廈22樓

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

Report on Review of Condensed Consolidated Financial Statements  
**To the board of directors of IVD Medical Holding Limited**  
(Incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements set out on pages 35 to 74, which comprise the condensed consolidated statement of financial position of IVD Medical Holding Limited (the “Company”) and its subsidiaries (together the “Group”) as at 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by International Accounting Standards Board (“IASB”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

*Ernst & Young*  
Certified Public Accountants  
Hong Kong  
19 August 2019

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

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		RMB' 000	RMB' 000
		(Unaudited)	(Unaudited)
	Notes		
REVENUE	4	<b>912,763</b>	170,888
Cost of sales		<b>(697,596)</b>	(125,082)
GROSS PROFIT		<b>215,167</b>	45,806
Other income and gains	5	<b>5,240</b>	2,544
Selling and distribution expenses		<b>(34,008)</b>	(6,464)
Administrative expenses		<b>(41,519)</b>	(23,146)
Other expenses		<b>(1,001)</b>	(13)
Finance costs		<b>(3,276)</b>	–
Share of profits of associates		<b>5,123</b>	30,107
Gain on remeasurement of previously held interest in an associate	19	<b>263,760</b>	–
Reversal of impairment/(impairment) of trade receivables		<b>476</b>	(1,384)
Initial public offering expenses		<b>(15,437)</b>	(6,445)
PROFIT BEFORE TAX	6	<b>394,525</b>	41,005
Income tax expense	7	<b>(43,858)</b>	(5,842)
PROFIT FOR THE PERIOD		<b>350,667</b>	35,163
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		<b>664</b>	(1,624)
Share of other comprehensive income/(loss) of an associate		<b>911</b>	(117)
		<b>1,575</b>	(1,741)

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

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
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		<b>(3,716)</b>	2,715
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>		<b>(2,141)</b>	974
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>348,526</b>	36,137
Attributable to:			
Owners of the parent		<b>353,504</b>	36,115
Non-controlling interests		<b>(2,837)</b>	(952)
		<b>350,667</b>	35,163
Total comprehensive income/(loss) attributable to:			
Owners of the parent		<b>351,376</b>	37,200
Non-controlling interests		<b>(2,850)</b>	(1,063)
		<b>348,526</b>	36,137
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (in RMB)	9	<b>4.40</b>	0.69



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>61,609</b>	41,815
Right-of-use assets		<b>17,273</b>	–
Goodwill	11	<b>703,069</b>	6,639
Other intangible assets	12	<b>907,668</b>	28,054
Investments in associates		<b>6,535</b>	595,326
Deferred tax assets		<b>1,552</b>	1,639
<b>Total non-current assets</b>		<b>1,697,706</b>	673,473
<b>CURRENT ASSETS</b>			
Inventories		<b>751,685</b>	51,408
Trade and bills receivables	13	<b>267,371</b>	162,350
Prepayments, deposits and other receivables	14	<b>141,444</b>	14,316
Amounts due from associates		<b>1,195</b>	22,292
Amounts due from shareholders		<b>1,888</b>	837
Pledged deposits		<b>23,823</b>	–
Cash and cash equivalents		<b>403,216</b>	115,364
<b>Total current assets</b>		<b>1,590,622</b>	366,567
<b>CURRENT LIABILITIES</b>			
Trade payables	15	<b>118,593</b>	36,454
Other payables and accruals	16	<b>79,909</b>	12,377
Interest-bearing bank borrowings	17	<b>110,000</b>	–
Lease liabilities		<b>10,973</b>	–
Amounts due to shareholders		<b>705,561</b>	320
Tax payable		<b>28,753</b>	20,611
<b>Total current liabilities</b>		<b>1,053,789</b>	69,762

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2019

Note	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
NET CURRENT ASSETS	<b>536,833</b>	296,805
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>2,234,539</b>	970,278
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<b>195,529</b>	14,551
Lease liabilities	<b>7,008</b>	–
Total non-current liabilities	<b>202,537</b>	14,551
Net assets	<b>2,032,002</b>	955,727
EQUITY		
<b>Equity attributable to owners of the parent</b>		
Share capital	18	280
Reserves		948,307
		<b>2,027,603</b>
Non-controlling interests	<b>4,399</b>	7,249
Total equity	<b>2,032,002</b>	955,727

Director

Director

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Notes	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserve	Retained profits	Total		
		RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000		
At 1 January 2019		171	637,374	60,700	5,000	4,539	240,694	948,478	7,249	955,727
Profit for the period		-	-	-	-	-	353,504	353,504	(2,837)	350,667
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations		-	-	-	-	677	-	677	(13)	664
Share of other comprehensive income of an associate		-	-	-	-	911	-	911	-	911
Exchange differences on translation of the Company		-	-	-	-	(3,716)	-	(3,716)	-	(3,716)
<b>Total comprehensive income for the period</b>		-	-	-	-	(2,128)	353,504	351,376	(2,850)	348,526
Transfer from retained profits		-	-	-	10,002	-	(10,002)	-	-	-
Issue of shares	18	109	796,666	-	-	-	-	796,775	-	796,775
Final 2018 dividend declared	8	-	-	-	-	-	(69,026)	(69,026)	-	(69,026)
<b>At 30 June 2019 (unaudited)</b>		<b>280</b>	<b>1,434,040*</b>	<b>60,700*</b>	<b>15,002*</b>	<b>2,411*</b>	<b>515,170*</b>	<b>2,027,603</b>	<b>4,399</b>	<b>2,032,002</b>
At 31 December 2017 and 1 January 2018		171	637,374	60,700	1,000	447	141,254	840,946	11,669	852,615
Profit for the period		-	-	-	-	-	36,115	36,115	(952)	35,163
Other comprehensive (loss)/income for the period:										
Exchange differences on translation of foreign operations		-	-	-	-	(1,513)	-	(1,513)	(111)	(1,624)
Share of other comprehensive loss of an associate		-	-	-	-	(117)	-	(117)	-	(117)
Exchange differences on translation of the Company		-	-	-	-	2,715	-	2,715	-	2,715
<b>Total comprehensive income for the period</b>		-	-	-	-	1,085	36,115	37,200	(1,063)	36,137
<b>At 30 June 2018 (unaudited)</b>		<b>171</b>	<b>637,374*</b>	<b>60,700*</b>	<b>1,000*</b>	<b>1,532*</b>	<b>177,369*</b>	<b>878,146</b>	<b>10,606</b>	<b>888,752</b>

\* These reserve accounts comprise the condensed consolidated reserves of RMB2,027,323,000 (30 June 2018: RMB877,975,000) in the condensed consolidated statement of financial position as at 30 June 2019.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

Note	30 June 2019 RMB' 000 (Unaudited)	30 June 2018 RMB' 000 (Unaudited)
Net cash flows from/(used in) operating activities	<b>17,122</b>	(8,797)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of items of property, plant and equipment	<b>(8,487)</b>	(5,346)
Acquisition of a subsidiary 19	<b>247,380</b>	–
Advance to associates	<b>(235)</b>	–
Repayment from associates	<b>21,332</b>	6,880
Interest received	<b>1,692</b>	1,135
Decrease in pledged deposits	<b>(12,013)</b>	–
Net cash flows from investing activities	<b>249,669</b>	2,669
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans	<b>140,000</b>	–
Repayment of bank loans	<b>(100,000)</b>	–
Repayment of lease liabilities	<b>(5,024)</b>	–
Repayment to a related party	–	(467)
Repayment to shareholders	<b>(6,371)</b>	(231)
Dividends paid	<b>(4,770)</b>	–
Interest paid	<b>(2,821)</b>	–
Net cash flows from/(used in) financing activities	<b>21,014</b>	(698)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	30 June 2019 RMB' 000 (Unaudited)	30 June 2018 RMB' 000 (Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>287,805</b>	(6,826)
Cash and cash equivalents at the beginning of period	<b>115,364</b>	79,307
Effect of foreign exchange rate changes, net	<b>47</b>	811
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b>403,216</b>	73,292
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>403,216</b>	73,292

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

## 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 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  
IFRS 16

Amendments to IAS 19  
Amendments to IAS 28  
IFRIC 23

*Annual Improvements  
2015-2017 Cycle*

*Prepayment Features with Negative Compensation  
Leases*

*Plan Amendment, Curtailment or Settlement*

*Long-term Interests in Associates and Joint Ventures  
Uncertainty over Income Tax Treatments*

Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

## 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

## 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) (continued)

### **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 standalone 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.



## 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) (continued)

### 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 interim condensed consolidated 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 interim condensed consolidated statement of financial position.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) (continued)

### As a lessee – Leases previously classified as operating leases (continued)

#### Impacts on transition (continued)

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:

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

## 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) (continued)

### As a lessee – Leases previously classified as operating leases (continued)

#### Impacts on transition (continued)

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

#### 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:

## 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) (continued)

### Summary of new accounting policies (continued)

#### 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.

## 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) (continued)

### Summary of new accounting policies (continued)

#### Lease liabilities (continued)

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)
<b>As at 1 January 2019</b>	<b>7,249</b>	7,249
Acquisition of a subsidiary (note 19)	<b>12,874</b>	13,227
Addition	<b>2,063</b>	2,063
Depreciation charge	<b>(4,928)</b>	–
Interest expense	–	455
Payments	–	(5,024)
Exchange realignment	<b>15</b>	11
<b>As at 30 June 2019</b>	<b>17,273</b>	17,981

30 June 2019

## 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) (continued)

### **Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss and other comprehensive income (continued)**

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.

## 2.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

- (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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 3. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

#### (a) Revenue from external customers

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Mainland China	908,294	170,804
Others	4,469	84
	<b>912,763</b>	170,888

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

#### (b) Non-current assets

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
	Mainland China	1,695,654
Others	500	588,595
	<b>1,696,154</b>	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 six months 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 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sales of trading goods	844,627	167,475
Sales of manufactured goods	1,883	3,413
Provision of consultancy and maintenance services	66,253	–
	<b>912,763</b>	170,888

#### Revenue from contracts with customers

##### Disaggregated revenue information

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
<i>Types of goods and services</i>		
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	<b>912,763</b>	170,888

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 4. REVENUE (continued)

### Revenue from contracts with customers (continued)

#### Disaggregated revenue information (continued)

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
<u>Types of customers</u>		
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
<u>Timing of revenue recognition</u>		
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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
<u>Other income</u>		
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
	<b>4,405</b>	2,523
<u>Gains</u>		
Foreign exchange differences, net	835	21
	<b>5,240</b>	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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 6. PROFIT BEFORE TAX

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

		Six months ended 30 June	
Note	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)	
Cost of inventories sold	<b>697,596</b>	125,082	
Depreciation of items of property, plant and equipment	<b>9,347</b>	7,060	
Depreciation of right-of-use assets	<b>4,928</b>	–	
Amortisation of other intangible assets	<b>630</b>	630	
Research and development costs	<b>1,199</b>	284	
Impairment/(reversal of impairment) of trade receivables	<b>476</b>	(1,384)	
Foreign exchange differences, net	<b>(835)</b>	(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	<b>41,128</b>	5,903	
Current – Hong Kong			
Charge for the period	<b>448</b>	–	
Deferred	<b>2,282</b>	(61)	
	<b>43,858</b>	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 (Unaudited)	2018 (Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent (RMB' 000)	353,504	36,115
<u>Shares</u>		
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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment of RMB8,487,000 (six months ended 30 June 2018: RMB5,346,000). In addition, the Group acquired of certain items of property, plant and equipment upon acquisition of subsidiaries with an aggregate carrying amount of RMB20,654,000 (six months ended 30 June 2018: nil).

## 11. GOODWILL

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Net carrying amount at beginning of the period/year	6,639	6,639
Acquisition of a subsidiary (note 19)	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. GOODWILL (continued)

### Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the cash-generating unit of Suzhou DiagVita Biotechnology Co., Ltd. ("DiagVita CGU"), the cash-generating unit of Digital Images Diagnostic (China) Limited ("DID CGU") and the cash-generating unit of Vastec Medical Limited ("Vastec CGU") for impairment testing.

#### DiagVita CGU

The recoverable amount of DiagVita CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 15.8% (31 December 2018: 15.8%). The growth rate used to extrapolate the cash flows of DiagVita CGU beyond the five-year period was 3.0% (31 December 2018: 3.0%).

#### DID CGU

The recoverable amount of DID CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 15.8% (31 December 2018: 15.8%). The growth rate used to extrapolate the cash flows of DID CGU beyond the five-year period was 3.0% (31 December 2018: 3.0%). The carrying amount of goodwill of DID CGU was fully impaired during prior years and had a balance of nil as at 30 June 2019.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 11. GOODWILL (continued)

### Impairment testing of goodwill (continued)

#### Vastec CGU

The recoverable amount of Vastec CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections was 15.8% (31 December 2018: 15.8%). The growth rate used to extrapolate the cash flows of Vastec CGU beyond the five-year period was 3.0% (31 December 2018: 3.0%). Goodwill of RMB696,430,000 has been recognised for the step acquisition of Vastec on 25 January 2019.

	DiagVita CGU RMB'000	DID CGU RMB'000	Vastec CGU RMB'000	Total RMB'000
Carrying amount of goodwill as at 30 June 2019 (unaudited)	6,639	–	696,430	703,069
Carrying amount of goodwill as at 31 December 2018 (audited)	6,639	–	–	6,639



## 12. 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 19)	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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 12. OTHER INTANGIBLE ASSETS (continued)

	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.

### 13. TRADE AND BILLS RECEIVABLES

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Trade receivables	<b>264,508</b>	165,089
Bills receivables	<b>5,744</b>	–
Impairment	<b>(2,881)</b>	(2,739)
	<b>267,371</b>	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 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Within 1 month	<b>205,555</b>	149,732
1 to 2 months	<b>11,243</b>	3,408
2 to 3 months	<b>4,576</b>	2,941
Over 3 months	<b>45,997</b>	6,269
	<b>267,371</b>	162,350

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Prepayments	<b>125,661</b>	12,664
Deposits and other receivables	<b>15,783</b>	1,652
	<b>141,444</b>	14,316

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default and the expected credit losses are considered to be minimal.

## 15. TRADE PAYABLES

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

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

## 16. OTHER PAYABLES AND ACCRUALS

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Contract liabilities	36,443	1,080
Other payables	27,944	3,070
Accruals	14,462	7,040
Deferred income	1,060	1,187
	<b>79,909</b>	12,377

## 17. INTEREST-BEARING BANK BORROWINGS

	30 June 2019			31 December 2018		
	Effective interest rate %	Maturity	RMB' 000 (Unaudited)	Effective interest rate %	Maturity	RMB' 000 (Audited)
Bank loans – unsecured	4.4 – 5.3	2019 – 2020	110,000	–	–	–

The maturity of the above bank borrowings is as follows:

	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Bank loans analysed into:		
Within one year or on demand	110,000	–

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 18. SHARE CAPITAL

	30 June 2019 Equivalent to		31 December 2018 Equivalent to	
	US\$	RMB	US\$	RMB
	(Unaudited)		(Audited)	
Issued and fully paid:				
84,578,797 (31 December 2018: 52,239,658) ordinary shares of US\$0.0005 (31 December 2018: US\$0.0005) each	<b>42,289</b>	<b>279,550</b>	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, as further detailed in note 19 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 were allotted and issued under the Company's initial public offering at the offer price of HK\$3.07 per share.

## 19. 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 "Acquisition Date"), 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:

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 19. BUSINESS COMBINATION (continued)

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

	<b>Provisional fair value recognized on acquisition RMB' 000 (Unaudited)</b>
Property, plant and equipment (note 10)	<b>20,654</b>
Right-of-use assets (note 2.2)	<b>12,874</b>
Brand name (note 12)	<b>880,244</b>
Deferred tax assets	<b>601</b>
Inventories	<b>805,181</b>
Trade and bills receivables	<b>132,484</b>
Prepayments, deposits and other receivables	<b>150,676</b>
Pledged deposits	<b>11,810</b>
Cash and bank balances	<b>252,380</b>
Trade payables	<b>(249,998)</b>
Other payables and accruals	<b>(100,652)</b>
Interest-bearing bank borrowings	<b>(70,000)</b>
Lease liabilities	<b>(13,227)</b>
Amounts due to shareholders	<b>(400,000)</b>
Amount due to a related party	<b>(21,377)</b>
Tax payables	<b>(21,923)</b>
Deferred tax liabilities	<b>(179,384)</b>
<b>Total identifiable net assets at fair value</b>	<b>1,210,343</b>
Goodwill on acquisition (note 11)	<b>696,430</b>
	<b>1,906,773</b>
Satisfied by:	
Cash	<b>411,305</b>
Fair value of previously held interest in Vastec	<b>698,693</b>
Share-based payment	<b>796,775</b>
	<b>1,906,773</b>



## 19. BUSINESS COMBINATION (continued)

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 identifiable 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 Acquisition Date 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 is as follows:

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 20. RELATED PARTY TRANSACTIONS

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

		<b>Six months ended 30 June</b>	
Notes		<b>2019</b>	<b>2018</b>
		<b>RMB' 000</b>	<b>RMB' 000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Sales of products:			
Vastec Medical Equipments (Shanghai)			
Co., Ltd. ("Vastec (Shanghai)")	(i)	<b>43</b>	1,436
Alifax Diagnostics Co. Ltd. ("Alifax")	(i)	<b>138</b>	–
Purchases of products:			
Vastec (Shanghai)			
	(ii)	<b>11,177</b>	49,493
Hunan AKJD Biomedical Co., Ltd.			
	(ii)	<b>42</b>	506

## 20. RELATED PARTY TRANSACTIONS (continued)

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

		Six months ended 30 June	
		2019	2018
Notes		RMB' 000	RMB' 000
		(Unaudited)	(Unaudited)
Service income:			
Vastec (Shanghai)	(iii)	–	4
Service expenses:			
Vastec (Shanghai)	(iii)	–	4
Vastec	(iii)	5	30
Rental expenses:			
Mr. Ho Kuk Sing (“Mr. Ho”)	(iv)	975	–
Mr. Leung (“Mr. Leung”)	(iv)	176	–
Mr. Lin Xianya	(iv)	326	887
Shinva Medical Instrument Co., Ltd.	(iv)	1,305	–
Loan interest income:			
Vastec	(v)	67	715
Loan interest expenses:			
Mr. Ho	(vi)	668	–
Mr. Leung	(vi)	668	–

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

## 20. RELATED PARTY TRANSACTIONS (continued)

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

Notes:

- (i) The sales to associates were made according to the prices and conditions mutually agreed by the Group and the associates.
- (ii) The purchases from associates were made according to the prices and conditions mutually agreed by the Group and the associates.
- (iii) The service income and service expenses were based on the direct costs incurred.
- (iv) The rental expenses paid were based on the market rates.
- (v) The loan interest income was calculated at an effective interest rates of 3.97% of the principal per annum for the six months ended 30 June 2019 and 2018.
- (vi) The loan interest expense was calculated at an effective interest rate of 4.2% of the principal per annum for the six months ended 30 June 2019.

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

	Six months ended 30 June	
	2019 RMB' 000 (Unaudited)	2018 RMB' 000 (Unaudited)
Short term employee benefits	5,018	4,189
Post-employment benefits	98	52
Total compensation paid to key management personnel	5,116	4,241

## 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts	
	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Financial liability		
Interest-bearing bank borrowings	110,000	–

	Fair values	
	30 June 2019 RMB' 000 (Unaudited)	31 December 2018 RMB' 000 (Audited)
Financial liability		
Interest-bearing bank borrowings	112,605	–

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2019

### 21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

#### Fair value hierarchy

The Group did not have any financial assets and financial liabilities measured at fair value as at the end of each of the period/year.

### 22. EVENTS AFTER THE REPORTING PERIOD

On 12 July 2019, 1,333,400,000 shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited, pursuant to which 915,421,203 shares were issued by the Company to existing shareholders by way of capitalisation from the share premium account and 333,400,000 shares were issued by the Company's initial public offering at the offer price of HK\$3.07 per share. The gross proceeds and the estimated net proceeds amounted to approximately HK\$1,023.5 million and HK\$931.7 million, respectively.

### 23. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 19 August 2019.

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

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

Name	Capacity/Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of Interest in the Company
Mr. Ho Kuk Sing <sup>(2)(5)</sup>	Interest in a controlled corporation	175,517,429(L)	13.16%
	Beneficial owner	20,479,805(L)	1.54%
Mr. Leung King Sun <sup>(3)(5)</sup>	Interest in a controlled corporation	175,517,429(L)	13.16%
	Beneficial owner	3,900,915(L)	0.29%
Mr. Lin Xianya <sup>(4)(5)</sup>	Interest in a controlled corporation	112,664,041(L)	8.45%
	Beneficial owner	8,126,907(L)	0.61%

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

*Notes:*

- (1) The letter “L” denotes a person’s long position in the Company’s shares (the “Shares”).
- (2) Mr. Ho Kuk Sing is the sole shareholder of KS&KL Investment Co. Limited, which holds 175,517,429 Shares. Therefore, Mr. Ho Kuk Sing is deemed to be interested in KS&KL Investment Co. Limited’s interest in the Shares pursuant to the SFO. The disclosed interest represents (i) the interest in the Company held by KS&KL Investment Co. Limited; and (ii) options held by Mr. Ho Kuk Sing under the employees’ pre-IPO share option scheme (“ESOP”).
- (3) Mr. Leung King Sun is the sole shareholder of King Sun Limited, which holds 175,517,429 Shares. Therefore, Mr. Leung is deemed to be interested in King Sun Limited’s interest in the Shares pursuant to the SFO. The disclosed interest represents (i) the interest in the Company held by King Sun Limited; and (ii) options held by Mr. Leung King Sun under the ESOP.
- (4) Mr. Lin Xianya is the sole shareholder of Lucan Investment Limited, which holds 112,664,041 Shares. Therefore, Mr. Lin Xianya is deemed to be interested in Lucan Investment Limited’s interest in the Shares pursuant to the SFO. The disclosed interest represents (i) the interest in the Company held by Lucan Investment Limited; and (ii) options held by Mr. Lin Xianya under the ESOP.
- (5) By virtue of the Common Control Confirmation, Mr. Ho Kuk Sing, Mr. Leung King Sun and Mr. Lin Xianya and their respective wholly-owned investment holding companies, namely KS&KL Investment Co. Limited, King Sun Limited and Lucan Investment Limited, collectively hold 463,698,899 Shares.

Save as disclose above, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) as at the date of this interim report as recorded in the register required to be kept under section 352 of the SFO, or as otherwise required to be notified to the Stock Exchange or the Company.



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

To the best knowledge of Directors, as at the date of this interim report, the following persons (other than Directors or chief executives of the Company), are directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of Interest in the Company
KS&KL Investment Co. Limited <sup>(2)</sup>	Beneficial owner	175,517,429(L)	13.16%
King Sun Limited <sup>(3)</sup>	Beneficial owner	175,517,429(L)	13.16%
Lucan Investment Limited <sup>(4)</sup>	Beneficial owner	112,664,041(L)	8.45%
North Haven Private Equity Asia IVD Company Limited <sup>(6)</sup>	Beneficial owner	92,646,730(L)	6.95%
Huatuo International Development Co., Limited <sup>(7)</sup>	Beneficial owner	443,654,371(L)	33.27%
Shinva Medical Instrument Co., Ltd <sup>(7)</sup>	Interest in a controlled corporation	443,654,371(L)	33.27%

Notes (continued):

- (6) North Haven Private Equity Asia IVD Company Limited is an investment holding company incorporated with limited liability under the laws of the Cayman Islands on 21 January 2016 and beneficially owned by North Haven Private Equity Asia IV, L.P.
- (7) Huatuo International Development Co., Limited is a company incorporated under the laws of Hong Kong on 28 March 2011 and wholly owned by Shinva Medical Instrument Co., Ltd. Therefore, Shinva Medical Instrument Co., Ltd is deemed to be interested in Huatuo International Development Co., Limited's interest in the Shares pursuant to the SFO.

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

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

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

## SHARE OPTION SCHEMES

### A. Pre-IPO Share Option Scheme

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

#### (a) Purpose

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

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

#### (b) Who may join

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

**SHARE OPTION SCHEMES (continued)****A. Pre-IPO Share Option Scheme (continued)****(c) Maximum number of ordinary Shares with a par value of US\$0.0005 each**

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

**(d) Administration**

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

- (i) select the employees, officers and Directors to whom the Management Options may be granted from time to time under the ESOP;
- (ii) determine whether and to what extent the Management Options are granted under the ESOP;
- (iii) determine the number of Shares or the amount of other consideration to be covered by each Management Option granted under the ESOP;
- (iv) approve forms of Management Option Agreement (as defined below) for use under the ESOP;
- (v) determine the terms and conditions of any Master Option or Management Option granted under the ESOP (including the Notice of Management Option Grant (as defined below) or any option agreement evidencing the grant of a Master Option or a Management Option executed by the Company and the Management Option Grantee);

**SHARE OPTION SCHEMES (continued)**

**A. Pre-IPO Share Option Scheme (continued)**

**(d) Administration (continued)**

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

**(e) Option grants**

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

## SHARE OPTION SCHEMES (continued)

### A. Pre-IPO Share Option Scheme (continued)

#### (f) Term of the ESOP

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

#### (g) Exercise of option

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

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

Year	2017	2018	2019	2020	2021
------	------	------	------	------	------

#### **Net Income Target**

*(RMB million)*

	110	130	281	325	375
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- (ii) in the event that the Net Income Target is not met in a calendar year, no Management Option may vest or become exercisable.

## SHARE OPTION SCHEMES (continued)

### A. Pre-IPO Share Option Scheme (continued)

#### (h) Exercise price

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

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

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

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

**SHARE OPTION SCHEMES (continued)****A. Pre-IPO Share Option Scheme (continued)****(h) Exercise price (continued)**

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

**(i) Outstanding options granted**

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

## SHARE OPTION SCHEMES (continued)

## A. Pre-IPO Share Option Scheme (continued)

## (i) Outstanding options granted (continued)

On 12 July 2019, all Management Options under the ESOP were granted by the Master Option Grantee to the executive Directors prior to Listing (as defined below) in the following manner:

Name <sup>(1)</sup>	Address	Position	Number of underlying Shares subject to ESOP	Approximate percentage of the total number of Shares in issue as at the date of this interim report
Ho Kuk Sing (何鞠誠)	Room 1602, No. 5 Lane 2580, Jin Xiu Road Shanghai China	Chairman, executive Director and Chief Executive Officer	20,479,805	1.54%
Leung King Sun (梁景新)	Flat A, 18/F No. 1 Sai Wan Terrace Sai Wan Ho Hong Kong	Executive Director and Chief Operating Officer	3,900,915	0.29%
Lin Xianya (林賢雅)	Room 2502, BLK 1 Alley 680, Shui Cheng Road Chang Ning District Shanghai China	Executive Director and General Manager	8,126,907	0.61%
<b>Total</b>			<b>32,507,627</b>	<b>2.44%</b>



## SHARE OPTION SCHEMES (continued)

### A. Pre-IPO Share Option Scheme (continued)

#### (i) Outstanding options granted (continued)

*Note:*

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

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

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

### B. Share Option Scheme

The following is a summary of the principal terms of the share option scheme conditionally adopted by the written resolutions of the shareholders of the Company (the "Shareholders") passed on 21 June 2019 (the "Share Option Scheme"), more details as set out in the Prospectus.

#### (a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

**SHARE OPTION SCHEMES (continued)**

**B. Share Option Scheme (continued)**

**(b) Eligible Participants**

“Eligible Participants” refers to:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including Non-executive Director and Independent Non-executive Directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:
  - (aa) contribution to the development and performance of the Group;
  - (bb) quality of work performed for the Group;
  - (cc) initiative and commitment in performing his/her duties; and
  - (dd) length of service or contribution to the Group.

## SHARE OPTION SCHEMES (continued)

### B. Share Option Scheme (continued)

#### (c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 133,340,000 Shares (the "Scheme Limit"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the "New Scheme Limit") as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the "Maximum Limit"). No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded.

## SHARE OPTION SCHEMES (continued)

### B. Share Option Scheme (continued)

#### (d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme and any other share option schemes of the Company but subsequently cancelled (the "Cancelled Shares")) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the exercise price of our Shares.

## SHARE OPTION SCHEMES (continued)

### B. Share Option Scheme (continued)

#### (e) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

#### (f) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

#### (g) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the Listing Date. Subject to earlier termination by the Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Listing Date.

## OTHER INFORMATION (CONTINUED)

### SHARE OPTION SCHEMES (continued)

#### B. Share Option Scheme (continued)

##### (h) Outstanding options granted

As at the date of this interim report, no option has been granted or agreed to be granted under the Share Option Scheme.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the Acquisition, we 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 as the code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all Directors confirmed that they have complied with the requirements as set out in the Model Code since the Listing Date and up to the date of this interim report.

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Since the Listing Date and up to the date of this interim report, 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.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (continued)

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

This interim report has been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was of the opinion that the Group's unaudited interim condensed consolidated financial statements as contained in this interim report were prepared in accordance with applicable accounting standards.

## INTERIM DIVIDEND

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

## 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.



### INDEPENDENT REVIEW OF AUDITOR

The condensed consolidated financial statements for the six months ended 30 June 2019 set out herein are unaudited, but have 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 this interim report to be sent to the shareholders.

### CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

There is no change of information in respect of Directors that is required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of the Prospectus and up to the date of this interim report.

### DISCLOSURE OF INFORMATION

This interim report of the Group for the six months ended 30 June 2019 containing all the relevant information required by the Listing Rules has been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.ivdholding.com>).

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

Hong Kong, 19 August 2019