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IVD Medical Holding Limited

華檢醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1931)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”, each a “Director”) of IVD Medical Holding Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 30 June 2021 (the “Reporting Period”), which have been reviewed by the Company’s audit committee (the “Audit Committee”) and have been approved by the Board on 20 August 2021. The financial highlights of the Group during the Reporting Period together with the comparative figures for the corresponding previous period are set out as follows:

	Six months ended 30 June		Change
	2021	2020	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	1,186,791	981,240	20.9%
Gross profit	239,889	194,179	23.5%
Profit for the period	77,361	36,092	114.3%
Profit attributable to owners of the parent	78,887	38,281	106.1%
Adjusted profit for the period (Note)	90,683	61,674	47.0%
Adjusted profit attributable to owners of the parent (Note)	92,209	63,863	44.4%
Earnings per share			
Basic (RMB cents)	5.96	2.87	3.09
Diluted (RMB cents)	5.88	2.86	3.02
Adjusted basic earnings per share (RMB cents)	6.97	4.79	2.18

For the Reporting Period, the Group achieved a revenue of RMB1,186,791 thousand, which represented an increase of 20.9% as compared to the same period of 2020. Such increase was primarily due to the recovery in end customers' demand for in vitro diagnostic (“**IVD**”) products as the operation of hospitals got back to normal when impact of the coronavirus disease (“**COVID-19**”) diminished, which had a positive influence on the profitability of the Group's IVD products distribution business.

Profit of the Group for the Reporting Period also recorded a significant increase of 114.3% as compared to the same period of 2020. Such significant increase was primarily due to (i) the recovery of revenue as detailed above; (ii) the increase in gross profit margin and (iii) expenses in relation to share options amounting to RMB25,582 thousand for the six months ended 30 June 2020. Factors above were partially offset by the expenses in relation to employee share-based compensation benefits under a share award scheme adopted on 19 May 2020 (the “**Share Award Scheme**”) amounting to RMB13,322 thousand for the Reporting Period.

Note: Adjusted profit for the period and adjusted profit attributable to owners of the parent are non-GAAP financial measures and are calculated by profit for the period and profit attributable to owners of the parent excluding expenses in relation to employee share-based compensation benefits under the Share Award Scheme and expenses in relation to share options. Adjusted profit is used to exclude the impact of non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, so as to provide the shareholders of the Company (the “**Shareholders**”) and potential investors with useful supplementary information to assess the performance of the Group's core operations.

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

Six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	1,186,791	981,240
Cost of sales		<u>(946,902)</u>	<u>(787,061)</u>
Gross profit		239,889	194,179
Other income and gains	5	14,789	7,906
Selling and distribution expenses		(46,277)	(39,916)
Administrative expenses		(79,192)	(85,803)
Other expenses		(513)	(1,054)
Finance costs		(8,925)	(12,415)
Fair value gain on financial assets at fair value through profit or loss		170	386
Share of profits of associates		285	188
Share of loss of a joint venture		(1)	–
Impairment of trade receivables		<u>(1,267)</u>	<u>(3,118)</u>
Profit before tax	6	118,958	60,353
Income tax expense	7	<u>(41,597)</u>	<u>(24,261)</u>
Profit for the period		<u>77,361</u>	<u>36,092</u>
Profit for the period attributable to:			
Owners of the parent		78,887	38,281
Non-controlling interests		<u>(1,526)</u>	<u>(2,189)</u>
Profit for the period		<u>77,361</u>	<u>36,092</u>

	Six months ended 30 June	
	2021	2020
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>2,670</u>	<u>(5,510)</u>
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	<u>(6,981)</u>	<u>12,167</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(4,311)</u>	<u>6,657</u>
Total comprehensive income for the period	<u>73,050</u>	<u>42,749</u>
Total comprehensive income attributable to:		
Owners of the parent	74,576	45,173
Non-controlling interests	<u>(1,526)</u>	<u>(2,424)</u>
	<u>73,050</u>	<u>42,749</u>
Earnings per share attributable to owners of the parent		
	<i>9</i>	
Basic (RMB cents)	5.96	2.87
Diluted (RMB cents)	<u>5.88</u>	<u>2.86</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	77,739	86,567
Intangible assets		1,647,988	1,648,624
Investments in associates		4,991	4,418
Investment in a joint venture		11,934	11,935
Financial assets at fair value through profit or loss		66,671	46,840
Deferred tax assets		4,389	4,460
		<hr/>	<hr/>
Total non-current assets		1,813,712	1,802,844
Current assets			
Inventories		587,679	516,065
Trade and bills receivables	<i>11</i>	436,824	431,844
Prepayments and other receivables		414,917	235,567
Pledged deposits		124,511	132,163
Cash and cash equivalents		873,565	788,613
		<hr/>	<hr/>
Total current assets		2,437,496	2,104,252
Current liabilities			
Trade and bills payables	<i>12</i>	304,071	245,372
Other payables and accruals		271,819	172,394
Interest-bearing bank and other borrowings		541,169	252,332
Tax payable		17,572	20,899
		<hr/>	<hr/>
Total current liabilities		1,134,631	690,997
Net current assets		<hr/> 1,302,865	<hr/> 1,413,255
Total assets less current liabilities		<hr/> 3,116,577	<hr/> 3,216,099

		30 June 2021	31 December 2020
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		197,927	197,385
Other payables and accruals		13,408	12,451
Interest-bearing bank and other borrowings		–	146,988
		<hr/>	<hr/>
Total non-current liabilities		211,335	356,824
		<hr/>	<hr/>
Net assets		2,905,242	2,859,275
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Share capital	13	4,632	4,534
Reserves		2,894,014	2,846,619
		<hr/>	<hr/>
Non-controlling interests		2,898,646	2,851,153
		6,596	8,122
		<hr/>	<hr/>
Total equity		2,905,242	2,859,275
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

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 2020, except for the adoption of following International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 9, IAS 39
and IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 16

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate (“**LIBOR**”) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and the amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the sale and manufacture of medical equipment and consumables and the provision of consultancy and maintenance services related to medical equipment. For the purpose of resource allocation and performance assessment, the Group's management focuses on the operating results of the Group. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Mainland China	1,181,655	969,788
Others	5,136	11,452
	<u>1,186,791</u>	<u>981,240</u>

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

(b) Non-current assets

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
	Mainland China	1,740,323
Others	2,329	1,892
	<u>1,742,652</u>	<u>1,751,544</u>

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

Information about major customers

During the six months ended 30 June 2021 and 2020, no revenue from transaction with a single customer amounted to 10% or more of the Group's total revenue.

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sales of trading goods	1,124,314	912,447
Sales of manufactured goods	1,988	738
Provision of consultancy and maintenance services	60,489	68,055
	<u>1,186,791</u>	<u>981,240</u>

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods and services		
Sales of medical equipment	166,296	239,477
Sales of medical consumables	960,006	673,708
Provision of consultancy and maintenance services	60,489	68,055
	<u>1,186,791</u>	<u>981,240</u>
Types of customers		
Sales to hospitals and healthcare institutions	144,497	95,920
Sales to logistics providers	57,144	36,190
Sales to distributors	924,661	781,075
Sales to service customers	60,489	68,055
	<u>1,186,791</u>	<u>981,240</u>
Timing of revenue recognition		
Goods transferred at a point in time	1,126,302	913,185
Services transferred over time	60,489	68,055
	<u>1,186,791</u>	<u>981,240</u>

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other income		
Bank interest income	707	1,416
Rental income	–	172
Gain on disposal of items of property, plant and equipment	25	–
Government subsidies	13,392	4,563
Others	651	273
	<u>14,775</u>	<u>6,424</u>
Gains		
Foreign exchange differences, net	–	1,482
Gain on modification of lease contracts	14	–
	<u>14,789</u>	<u>7,906</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of inventories sold*	914,847	755,307
Cost of services provided*	32,055	31,754
Depreciation of owned assets	12,403	11,793
Depreciation of right-of-use assets	5,745	6,120
Amortisation of intangible assets	636	–
Research and development costs	3,025	1,598
Impairment of trade receivables	1,267	3,118
Equity-settled share option expense	–	25,582
Employee share-based compensation benefits under the Award Scheme	13,322	–
Foreign exchange differences, net	513****	(1,482)**
(Gain)/loss on disposals of property, plant and equipment	(25)**	1,054****
Fair value gain on financial assets at fair value through profit or loss	(170)	(386)
Write-down of inventories to net realisable value***	<u>5,676</u>	<u>–</u>

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

** These income are included in “Other income” on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.

*** This expense is included in “Costs of inventories sold” above.

**** These expenses are included in “Other expenses” on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of the 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Tax on profits assessable in Mainland China has been calculated at the applicable PRC corporate income tax (“CIT”) rate of 25% during the period.

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current – Mainland China		
Charge for the period	33,110	23,708
Underprovision/(overprovision) for the period	5,588	(4,442)
Current – Hong Kong		
Charge for the period	2,284	5,388
Deferred	615	(393)
	<hr/>	<hr/>
Total tax charge for the period	41,597	24,261
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8. DIVIDENDS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Dividend recognised as distribution during the reporting period:		
2020 Final – HK3.607 cents (2019: HK5.366 cents) per ordinary share	<hr/> 40,405	<hr/> 65,613
Dividend declared after the end of the reporting period:		
Proposed 2021 Interim – HK2.66 cents (2020: HK1.672 cents) per ordinary share	<hr/> 30,025	<hr/> 19,873
	<hr/> <hr/> 70,430	<hr/> <hr/> 85,486

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

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount for the year ended 30 June 2021 is based on the profit for the year attributable to owners of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	78,887	38,281
	Number of shares	
	Six months ended 30 June	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue less treasury shares and shares held for award scheme held by the Company during the period used in the basic earnings per share calculation	1,322,990,000	1,333,397,577
Effect of dilution – weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the period	4,008,996	5,644,166
Assumed issue at no consideration on deemed vesting of all awarded share outstanding during the period	15,580,112	–
	1,342,579,108	1,339,041,743

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of owned property, plant and equipment of RMB12,716,000 (six months ended 30 June 2020: RMB9,977,000).

11. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	437,080	428,023
Bills receivables	3,500	6,487
	<hr/>	<hr/>
	440,580	434,510
Impairment	(3,756)	(2,666)
	<hr/>	<hr/>
	436,824	431,844
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An ageing analysis of the trade and bills receivables as at the end of the period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 month	336,857	301,776
1 to 2 months	25,436	62,100
2 to 3 months	14,735	21,285
Over 3 months	59,796	46,683
	<hr/>	<hr/>
	436,824	431,844
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND BILLS PAYABLES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 month	31,203	29,055
1 to 2 months	36,953	31,740
2 to 3 months	224	757
Over 3 months	235,691	183,820
	<hr/>	<hr/>
	304,071	245,372
	<hr/> <hr/>	<hr/> <hr/>

13. SHARE CAPITAL

Shares

	30 June 2021		31 December 2020	
	US\$'000	RMB'000 (Unaudited)	US\$'000	RMB'000 (Audited)
Authorised:				
3,000,000,000 ordinary shares of US\$0.0005 each	<u>1,500</u>	<u>10,280</u>	<u>1,500</u>	<u>10,280</u>
Issued and fully paid:				
1,352,990,000 ordinary shares (2020: 1,322,990,000) of US\$0.0005 each	<u>677</u>	<u>4,632</u>	<u>662</u>	<u>4,534</u>

The movements in the Company's share capital during the six months ended 30 June 2021 were as follows:

	Number of ordinary shares	Nominal value of ordinary shares US\$'000	Equivalent to RMB'000
Authorised:			
At 1 January 2021 and 30 June 2021	<u>3,000,000,000</u>	<u>1,500</u>	<u>10,280</u>
Issued and fully paid:			
At 1 January 2021	1,322,990,000	662	4,534
Issue of new shares pursuant to the share award scheme (<i>note a</i>)	<u>30,000,000</u>	<u>15</u>	<u>98</u>
At 30 June 2021	<u>1,352,990,000</u>	<u>677</u>	<u>4,632</u>

- (a) For the six months ended 30 June 2021, 30,000,000 (2020: Nil) shares were allotted and issued to the trustee of the share award scheme at par value.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

During the Reporting Period, the Group recorded a revenue of RMB1,186,791 thousand, representing an increase of 20.9% as compared to the corresponding period of 2020. The Group's profit for the period increased by 114.3% to RMB77,361 thousand.

Business Segments

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

- ***Distribution Business***

The distribution of IVD products forms the cornerstone of the Group's business. It primarily involves the trading of IVD analysers, reagents and other consumables to customers such as distributors, hospitals and healthcare institutions and logistics providers. The Group's distribution of IVD products was primarily conducted through Vastec, a wholly-owned subsidiary of the Company. Vastec is primarily engaged in the distribution of Sysmex' haemostasis products in the PRC, it has been the sole national distributor of Sysmex' haemostasis products with exclusive distribution rights in the PRC since 1997 and also procures a diversified portfolio of IVD products from other leading international brands for distribution in the PRC.

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

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

In addition, the Group provides solution services to the clinical laboratories of hospitals. This has enabled the Group to establish and maintain direct relationships with local medical practitioners so as to keep the Group close to the frontline of the medical practice and the market demand of IVD products. In the first half of 2021, the Group provided solution services to seven Class III hospitals in the PRC. Solution services contributed revenue of RMB96,957 thousand for the Reporting Period, representing an increase of 80.8% as compared to RMB53,630 thousand for the six months ended 30 June 2020. Such increase was primarily due to the recovery in end customers' demand for IVD products and solution services were provided to two new hospitals for the Reporting Period as compared to the corresponding period of 2020.

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 2021, the Group had 197 (as of 30 June 2020: 187) direct customers, including hospitals and healthcare institutions, and 966 (as of 30 June 2020: 828) distributors in its established distribution network.

- ***Maintenance Services***

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

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

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

INDUSTRY OVERVIEW

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

According to Frost & Sullivan, by 2024, PRC IVD market at ex-factory price level is expected to reach RMB195.7 billion with a compound annual growth rate (“CAGR”) of 17.8% during 2019 to 2024. In the future, IVD market is expected to grow with the aggravating trend of ageing population, the growth of medical expenses per capita and the progress of technology development.

PRC IVD market can be divided into six major segments based on the testing principles: haematology and body fluid, clinical chemistry, immunoassay, molecular, microbiology and POCT. Immunoassay, clinical chemistry and haematology and body fluid analysis are the top three categories with the broadest clinical application. According to Frost & Sullivan, immunoassay, clinical chemistry and haematology and body fluid test in aggregate accounted for approximately 64.9% of the market share in the PRC IVD market. Haematology and body fluid test includes haemostasis analysis and urinalysis, which ranked third in the PRC IVD market by revenue in 2019, representing a market share of approximately 14.3%.

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

Sales revenue of haemostasis analysis IVD products generated by tier 1 distributors in the PRC reached RMB5.5 billion in 2019. By 2024, PRC tier 1 distributed haemostasis analysis IVD market is projected by Frost & Sullivan to reach RMB7.8 billion in terms of sales revenue with a CAGR of 7.2% during 2019 to 2024.

BUSINESS OUTLOOK AND DEVELOPMENT STRATEGIES

The Company was successfully listed on the Stock Exchange on 12 July 2019, which provided the Group with a good opportunity to develop in the future. With the help of the capital market, the Group will consolidate its leading position in the IVD industry in the PRC and adopt active development strategies, including but not limited to the following:

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

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

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

The Group has been providing solution services to hospitals in the PRC since 2013. By being the general supplier of the clinical laboratory department in such hospitals, the Group participates in the design of laboratory layout, provides centralised procurement of IVD products, conducts real-time inventory monitoring and provides other after-sale services to clinical laboratories. Through years of operations, the Group has accumulated a wealth of operational experience and a diversified product portfolio, thus being able to promote the same to other hospitals and healthcare institutions. In order to capture the aforementioned trends and opportunities, the Group intends to provide solution services to two new hospitals in 2021. The Group plans to hire more sales personnel to manage the promotion and marketing of solution services of the Group and to stock sufficient IVD products of various brands to strengthen the Group's advantages in centralized procurement. In addition, the Group intends to continuously participate in national and local IVD symposiums and academic conferences to enhance brand awareness.

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

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

FINANCIAL REVIEW

Overview

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

During the Reporting Period, the Group recorded revenue of RMB1,186,791 thousand, representing an increase of RMB205,551 thousand or 20.9% as compared to the corresponding period of 2020.

During the Reporting Period, the Group recorded a net profit for the period of RMB77,361 thousand, representing an increase of RMB41,269 thousand or 114.3% as compared to the corresponding period of 2020. Profit attributable to owners of the parent amounted to RMB78,887 thousand, representing an increase of RMB40,606 thousand or 106.1% as compared to the corresponding period of 2020.

During the Reporting Period, the Group recorded adjusted profit for the period of RMB90,683 thousand, representing an increase of RMB29,009 thousand or 47.0% as compared to the corresponding period of 2020.

	For the six months ended 30 June		Change
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	
Operating Results			
Revenue	1,186,791	981,240	20.9%
Gross profit	239,889	194,179	23.5%
Earnings before interest and depreciation and amortization (EBITDA)	146,667	90,681	61.7%
Profit for the period	77,361	36,092	114.3%
Profit attributable to owners of the parent	78,887	38,281	106.1%
Adjusted profit for the period (<i>Note 1</i>)	90,683	61,674	47.0%
Adjusted profit attributable to owners of the parent (<i>Note 1</i>)	92,209	63,863	44.4%
Financial Ratios			
Gross profit margin (%) (<i>Note 2</i>)	20.2%	19.8%	increased by 0.4 percentage point
Net profit margin (%) (<i>Note 2</i>)	6.5%	3.7%	increased by 2.8 percentage point
Adjusted profit for the period margin (%) (<i>Note 3</i>)	7.6%	6.3%	increased by 1.3 percentage point
Return on assets (%) (<i>Note 2</i>)	1.9%	0.9%	increased by 1.0 percentage point
Return on equity (%) (<i>Note 2</i>)	2.7%	1.4%	increased by 1.3 percentage point

	For the six months ended 30 June		Change
	2021	2020	
Average turnover days of trade receivables (days) (Note 2)	66	66	0
Average turnover days of inventories (days) (Note 2)	105	154	(49)
Average turnover days of trade payables (days) (Note 2)	53	61	(8)
	30 June	31 December	
	2021	2020	Change
	RMB'000	RMB'000	
Financial Position			
Total assets	4,251,208	3,907,096	8.8%
Equity attributable to owners of the parent	2,898,646	2,851,153	1.7%
Cash and cash equivalents	873,565	788,613	10.8%
Financial Ratios			
Current ratio (times) (Note 2)	2.1	3.0	(0.9)
Quick ratio (times) (Note 2)	1.6	2.3	(0.7)
Debt to equity ratio (times) (Note 2)	0.2	0.1	0.1

Note 1: Adjusted profit for the period and adjusted profit attributable to owners of the parent are non-GAAP financial measures and are calculated by profit for the period and profit attributable to owners of the parent excluding expenses in relation to employee share-based compensation benefits under the Share Award Scheme and expenses in relation to share options.

Note 2: Gross profit margin equals gross profit divided by revenue.

Net profit margin equals net profit divided by revenue.

Return on assets equals net profit divided by average total assets during the reporting period.

Return on equity equals net profit attributable to owner of the Company divided by average equity attributable to owner of the Company during the reporting period.

Average turnover days of trade receivables equal to the average of the opening and closing balances of trade receivables of the reporting period divided by revenue and multiplied by 181 days.

Average inventory turnover days equal to the average of the opening and closing balances of inventories of the reporting period divided by cost of sales and multiplied by 181 days.

Average turnover days of trade payables equal to the average of the opening and closing balances of trade payables of the reporting period divided by cost of sales and multiplied by 181 days.

Current ratio equals total current assets divided by total current liabilities as at the end of the reporting period.

Quick ratio equals total current assets less inventories divided by total current liabilities as at the end of the reporting period.

Debt to equity ratio equals total debt divided by total equity as at the end of the reporting period. Debt means interest-bearing borrowings.

Note 3: Adjusted profit for the period margin is calculated by adjusted profit for the period (the calculation method is the same as set out in *Note 1* above), a non-GAAP financial measures, divided by the revenue for the period.

Revenue

Revenue of the Group amounted to RMB1,186,791 thousand for Reporting Period, representing an increase of 20.9% compared to RMB981,240 thousand for the six months ended 30 June 2020. Such increase was primarily due to the recovery in end customers' demand for IVD products as the operation of hospitals got back to normal when impact of the COVID-19 diminished, which had a positive influence on the profitability of the Group's IVD products 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	For the six months ended 30 June				Change
	2021		2020		
	RMB'000	%	RMB'000	%	
Distribution business	1,124,314	94.7	912,447	93.0	23.2%
Consultancy and maintenance services	60,489	5.1	68,055	6.9	(11.1%)
Self-branded products business	1,988	0.2	738	0.1	169.4%
Total	1,186,791	100.0	981,240	100.0	20.9%

Revenue by product type

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

Product type	For the six months ended 30 June				Change
	2021		2020		
	RMB'000	%	RMB'000	%	
IVD analysers					
– Distribution business	166,153	14.8	239,477	26.2	(30.6%)
– Self-branded products business	143	0.0	–	0.0	100.0%
Subtotal	166,296	14.8	239,477	26.2	(30.6%)
IVD reagents and other consumables					
– Distribution business	958,161	85.0	672,970	73.7	42.4%
– Self-branded products business	1,845	0.2	738	0.1	150.0%
Subtotal	960,006	85.2	673,708	73.8	42.5%
Total	1,126,302	100.0	913,185	100.0	23.3%

Revenue by channel

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

Sales channel	For the six months ended 30 June				Change
	2021		2020		
	RMB'000	%	RMB'000	%	
Distribution business					
– Distributors	922,679	82.0	780,337	85.4	18.2%
– Hospitals and healthcare institutions	144,491	12.8	95,920	10.5	50.6%
– Logistics providers	57,144	5.0	36,190	4.0	57.9%
Subtotal	1,124,314	99.8	912,447	99.9	23.2%
Self-branded products business					
– Distributors	1,982	0.2	738	0.1	168.6%
– Hospitals and healthcare institutions	6	0.0	–	0.0	100.0%
Subtotal	1,988	0.2	738	0.1	169.4%
Total	1,126,302	100.0	913,185	100.0	23.3%

Cost of sales

Cost of sales of the Group amounted to RMB946,902 thousand for the Reporting Period, representing an increase of 20.3% compared to RMB787,061 thousand for the six months ended 30 June 2020. Such increase was primarily due to the recovery in end customers' demand for IVD products as the operation of hospitals got back to normal when impact of the COVID-19 diminished.

Cost of sales by business segment

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

Business segment	For the six months ended 30 June				Change
	2021		2020		
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
Distribution business	913,937	96.5	755,008	96.0	21.0%
Consultancy and maintenance services	32,055	3.4	31,754	4.0	0.9%
Self-branded products business	910	0.1	299	0.0	204.3%
Total	<u>946,902</u>	<u>100.0</u>	<u>787,061</u>	<u>100.0</u>	<u>20.3%</u>

Cost of sales by product type

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

Product type	For the six months ended 30 June				Change
	2021		2020		
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	
IVD analysers					
– Distribution business	143,233	15.7	218,730	29.0	(34.5%)
– Self-branded products business	122	0.0	–	0.0	100.0%
Subtotal	<u>143,355</u>	<u>15.7</u>	<u>218,730</u>	<u>29.0</u>	<u>(34.5%)</u>
IVD reagents and other consumables					
– Distribution business	770,704	84.2	536,278	71.0	43.7%
– Self-branded products business	788	0.1	299	0.0	163.5%
Subtotal	<u>771,492</u>	<u>84.3</u>	<u>536,577</u>	<u>71.0</u>	<u>43.8%</u>
Total	<u>914,847</u>	<u>100.0</u>	<u>755,307</u>	<u>100.0</u>	<u>21.1%</u>

Gross profit and gross profit margin

Gross profit represents revenue less cost of sales. Gross profit of the Group amounted to RMB239,889 thousand for the Reporting Period, representing an increase of 23.5% as compared to RMB194,179 thousand for the six months ended 30 June 2020. Such increase was primarily due to the recovery in end customers' demand for IVD products as the operation of hospitals got back to normal when impact of the COVID-19 diminished.

Gross profit margin is calculated as gross profit divided by revenue. Gross profit margin of the Group was 20.2% for the Reporting Period, increased from 19.8% for the six months ended 30 June 2020, which was primarily due to the increase in the proportion of sales of IVD reagents and other consumables products with relatively higher gross profit margin, and the decrease in the proportion of sales of IVD analysers products with relatively low gross profit margin.

Gross profit and gross profit margin by business segment

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

Business segment	For the six months ended 30 June				Change
	2021		2020		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
Distribution business					
– IVD analysers	22,920	13.8	20,747	8.7	10.5%
– IVD reagents and other consumables	187,457	19.6	136,692	20.3	37.1%
Subtotal	210,377	18.7	157,439	17.3	33.6%
Consultancy and maintenance services	28,434	47.0	36,301	53.3	(21.7%)
Self-branded products business					
– IVD analysers	21	14.7	–	–	100.0%
– IVD reagents and other consumables	1,057	57.3	439	59.5	140.8%
Subtotal	1,078	54.2	439	59.5	145.6%
Total	239,889	20.2	194,179	19.8	23.5%

Gross profit and gross profit margin by product type

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

Product type	For the six months ended 30 June				Change
	2021		2020		
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %	
IVD analysers					
– Distribution business	22,920	13.8	20,747	8.7	10.5%
– Self-branded products business	21	14.7	–	–	100.0%
Subtotal	22,941	13.8	20,747	8.7	10.6%
IVD reagents and other consumables					
– Distribution business	187,457	19.6	136,692	20.3	37.1%
– Self-branded products business	1,057	57.3	439	59.5	140.8%
Subtotal	188,514	19.6	137,131	20.4	37.5%
Total	211,455	18.8	157,878	17.3	33.9%

Other income and gains

Other income and gains of the Group amounted to RMB14,789 thousand for the Reporting Period, representing an increase of 87.1% compared to RMB7,906 thousand for the six months ended 30 June 2020. Such increase was primarily due to the increase of government subsidies.

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Other income		
Bank interest income	707	1,416
Rental income	–	172
Gain on disposal of items of property, plant and equipment	25	–
Government subsidies	13,392	4,563
Others	651	273
	<hr/>	<hr/>
Subtotal	14,775	6,424
	<hr/>	<hr/>
Gains		
Foreign exchange differences, net	–	1,482
Gain on modification of lease contracts	14	–
	<hr/>	<hr/>
Total	14,789	7,906
	<hr/> <hr/>	<hr/> <hr/>

Selling and distribution expenses

Selling and distribution expenses of the Group amounted to RMB46,277 thousand for the Reporting Period, representing an increase of 15.9% compared to RMB39,916 thousand for the six months ended 30 June 2020. Such increase was in line with the growth of revenue of the Group.

Administrative expenses

Administrative expenses of the Group amounted to RMB79,192 thousand for the Reporting Period, representing a decrease of 7.7% compared to RMB85,803 thousand for the six months ended 30 June 2020. Such decrease was primarily due to expenses in relation to share options granted amounting to RMB25,582 thousand for the six months ended 30 June 2020, which was partially offset by (i) the increase in the scale of Group's business, and (ii) the expenses in relation to employee share-based compensation benefits under the Share Award Scheme amounting to RMB13,322 thousand for the Reporting Period.

Other expenses

Other expenses of the Group amounted to RMB513 thousand for the Reporting Period, representing a decrease of 51.3% compared to RMB1,054 thousand for the six months ended 30 June 2020.

	For the six months ended 30 June	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss on disposals of property, plant and equipment	–	1,054
Foreign exchange loss	<u>513</u>	<u>–</u>
	<u><u>513</u></u>	<u><u>1,054</u></u>

Finance costs

Finance costs of the Group amounted to RMB8,925 thousand for the Reporting Period, representing a decrease of 28.1% as compared to RMB12,415 thousand for the six months ended 30 June 2020. Such decrease was primarily due to the decrease of bank borrowing when compared to the six months ended 30 June 2020.

Profit for the period

Profit of the Group for the period amounted to RMB77,361 thousand for the Reporting Period, representing a substantial increase of 114.3% as compared to RMB36,092 thousand for the six months ended 30 June 2020. Such substantial increase was primarily due to (i) the recovery in end customers' demand for IVD products as the operation of hospitals got back to normal when impact of the COVID-19 diminished; (ii) the increase in gross profit margin and (iii) expenses in relation to share options amounting to RMB25,582 thousand for the six months ended 30 June 2020. Factors above were partially offset by the expenses in relation to employee share-based compensation benefits under the Share Award Scheme amounting to RMB13,322 thousand for the Reporting Period.

Adjusted profit for the period

Adjusted profit of the Group is a non-GAAP financial measure used to exclude the impact of non-operating items which affect the results presented in the financial statements but are not indicative of the operating performance of the Group, so as to provide the Shareholders and potential investors with useful supplementary information to assess the performance of the Group's core operations. Adjusted profit of the Group for the period is calculated by profit for the period excluding expenses in relation to employee share-based compensation benefits under the Share Award Scheme and expenses in relation to share options. Adjusted profit of the Group for the period amounted to RMB90,683 thousand for the Reporting Period, representing an increase of 47.0% as compared to RMB61,674 thousand for the six months ended 30 June 2020. Such increase was primarily due to (i) the recovery in end customers' demand for IVD products as the operation of hospitals got back to normal when impact of the COVID-19 diminished; and (ii) the increase in gross profit margin.

	For the six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Profit for the period	77,361	36,092
Adjusted for non-operating items:		
Employee share-based compensation benefits under the Share Award Scheme	13,322	–
Share option expenses	–	25,582
Adjusted profit for the period	<u>90,683</u>	<u>61,674</u>

Liquidity and financial resources

As of 30 June 2021, the Group had cash and cash equivalents of RMB873,565 thousand (primarily denominated in HK\$, RMB and US\$), as compared RMB788,613 thousand as of 31 December 2020. The approach adopted by the Board to manage the liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

Capital structure

As of 30 June 2021, the Group's total equity attributable to owners of the parent was RMB2,898,646 thousand (31 December 2020: RMB2,851,153 thousand), comprising share capital of RMB4,632 thousand (31 December 2020: RMB4,534 thousand) and reserves of RMB2,894,014 thousand (31 December 2020: RMB2,846,619 thousand).

Net current assets

The Group had net current assets of RMB1,302,865 thousand as of 30 June 2021, representing a decrease of RMB110,390 thousand as compared to RMB1,413,255 thousand as of 31 December 2020.

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 Reporting Period, the Group recorded a net exchange loss of RMB513 thousand, as compared to a net exchange gain of RMB1,482 thousand for the six months ended 30 June 2020. As of 30 June 2021, 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 Reporting Period, the Group's total capital expenditure amounted to approximately RMB12,716 thousand, which was primarily used in property, plant and equipment.

Charge/pledge on assets

As of 30 June 2021, the Group's bank deposits of approximately RMB124,511 thousand were pledged to secure the Group's letter of credit in the aggregate amount of RMB388,104 thousand.

Borrowings

The Group had bank and other borrowings of RMB541,169 thousand as of 30 June 2021 denominated in US\$ and RMB, among which RMB250,710 thousand bore interest at fixed rates. All of the Group's bank borrowings as of 30 June 2021 were repayable on or before 30 June 2022, among which RMB290,459 thousand were pledged with shares in the Company's subsidiaries.

Contingent liabilities and guarantees

As of 30 June 2021, the Group did not have any material contingent liabilities, guarantees or any litigation against it (as of 31 December 2020: nil).

Gearing Ratio

As of 30 June 2021, the Group's gearing ratio (the gearing ratio is equivalent to total debt divided by total assets as of the end of the period) was approximately 12.7% (as of 31 December 2020: 10.2%).

Significant investments

As of 30 June 2021, the Group did not hold any significant investments in the equity interests of any other companies.

Future plans for material investments and capital assets

As of 30 June 2021, the Group did not have any material capital commitments (as of 31 December 2020: nil) to acquire property, plant or equipment.

As of 30 June 2021, 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 of the Company dated 29 June 2019 (the "**Prospectus**"). The funding requirements will be satisfied by a combination of internally generated cash, external borrowings and other funds raised from the capital markets from time to time, in addition to the net proceeds from the initial public offering of the Company.

Share Option Scheme

To attract and retain more suitable personnel for development of the Group, the Group has adopted a pre-initial public offering share option scheme (the "**ESOP**") as approved on 29 December 2017 and further amended on 27 March 2019 and a share option scheme (the "**Share Option Scheme**") as approved on 21 June 2019, details of which were set out in the Prospectus. From the date of the adoption and up to the date of this announcement, 32,507,627 share options under the ESOP and 26,668,000 share options under the Share Option Scheme have been granted, and 13,003,051 share options under the ESOP have lapsed.

Share Award Scheme

To recognise the contributions by certain employees of the Group and to provide incentives thereto to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group, the Group has adopted the Share Award Scheme.

On 15 December 2020, the Board resolved to allot and issue 30,000,000 new shares of the Company (the “**Awarded Shares**”) to the trustee under the general mandate granted by the Shareholders at the annual general meeting of the Company held on 3 June 2020 in order to grant awards to certain employees pursuant to the Share Award Scheme.

On 29 March 2021, the Board resolved to grant the Awarded Shares to 405 Selected Employees (the “**Grantees**”) in accordance with the terms of the Scheme at nil consideration. Each of the Grantees is an employee of the Company or its subsidiaries.

On 20 April 2021, the Awarded Shares had been issued under the Share Award Scheme of the Company adopted on 19 May 2020.

Employee and remuneration policy

As of 30 June 2021, the Group had 719 employees (as of 30 June 2020: 607 employees). Total staff remuneration expenses, including remuneration for Directors, for the Reporting Period, amounted to RMB64,143 thousand (for the six months ended 30 June 2020: RMB60,474 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.

Additional information on directors

The Securities and Futures Commission (the “**SFC**”) issued a press release in relation to proceedings brought by the SFC before the Market Misconduct Tribunal against China Medical & HealthCare Group Limited, formerly known as COL Capital Limited (“**COL**”), a company listed on the Main Board of the Stock Exchange (Stock Code: 383) and six of its former and current directors (including Mr. Lau Siu Ki) for failing to disclose inside information as soon as reasonably practicable. Mr. Lau Siu Ki, an independent non-executive director of the Company, was a former independent non-executive director of COL and resigned all his duties in COL in December 2018. Please refer to the announcements of the Company dated 12 May 2021 and 21 May 2021 for further information.

The orders made by the Market Misconduct Tribunal do not involve the Group. The Company does not consider that such orders will have any material adverse impact on the businesses and/or operations of the Group.

Subsequent event

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

SUPPLEMENTAL INFORMATION

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its securities.

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group did not have any material acquisition and disposal of subsidiaries and affiliated companies during the six months ended 30 June 2021.

Compliance with the model code for securities transactions by directors

The Company has adopted 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**”) regarding securities transactions by the Directors.

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

Compliance with the code on corporate governance practices

During the Reporting Period, save for the code provision addressed below, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

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

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

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

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

Review by the audit committee

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

The Group's interim results for the six months ended 30 June 2021 have been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was of the opinion that the Group's unaudited interim results were prepared in accordance with applicable accounting standards. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

Interim dividend

On 20 August 2021, the Board resolved to declare the payment of an interim dividend of HK2.66 cents per share for the six months ended 30 June 2021 to the Shareholders whose names appear on the register of members of the Company on Monday, 11 October 2021, resulting in an appropriation of approximately RMB30,025 thousand. The above-mentioned interim dividend is expected to be payable on Wednesday, 27 October 2021.

Closure of register of members

The register of members of the Company will be closed from Thursday, 7 October 2021 to Monday, 11 October 2021, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 6 October 2021.

Disclosure of information

This announcement has been published on the websites of the Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.ivdholding.com>). The interim report of the Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be dispatched to Shareholders and available on the same websites in due course.

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

Hong Kong, 20 August 2021

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