AK MEDICAL HOLDINGS LIMITED
愛康醫療控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1789)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019	2018	Variance
	RMB'000	*RMB'000*	*%*
Revenue	**926,705**	600,562	54.3%
Gross profit	**643,251**	408,881	57.3%
Profit for the year	**266,992**	144,936	84.2%
Profit for the year attributable to equity shareholders of the Company	**266,992**	144,936	84.2%
Earnings per share			
Basic	**RMB0.26**	RMB0.14	
Diluted	**RMB0.25**	RMB0.14	

For the year ended 31 December 2019, the Group continued to maintain a rapid growth and achieved the revenue of RMB926.7 million, which was a significant increase of 54.3% as compared to 2018. The significant increase of revenue was mainly attributable to (i) the established brand image of the Company by virtue of 3D-printing technology and 3D ACT platform whereby the Company, leveraging its brand image, acquired additional market share, (ii) the application of the international clinical education resources to actively expand the Group's market and (iii) further penetration of the performing of joint surgeries into more hospitals in Mainland China due to its increasing demand, hence effectively promoted the sales of 3D-printed products and regular hip and knee products. The net profit of the Group for the year ended 31 December 2019 also significantly increased by 84.2% as compared to 2018 as a result of the increase of revenue, effect of economies of scale and by taking effective cost and expenses control measures.

The Directors have resolved to recommend the payment of a final dividend of HK$7.5 cents per share for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019
(Expressed in Renminbi)

	Note	Year ended 31 December **2019** *RMB'000*	2018 *(Note)* *RMB'000*
Revenue	*3*	**926,705**	600,562
Cost of sales		**(283,454)**	(191,681)
Gross profit		**643,251**	408,881
Other income, net	*4*	**20,334**	4,943
Selling and distribution expenses		**(175,334)**	(122,877)
General and administrative expenses		**(92,203)**	(74,125)
Research and development expenses		**(80,527)**	(45,595)
Operating profit		**315,521**	171,227
Net finance income		**5,881**	3,273
Profit before taxation	*5*	**321,402**	174,500
Income tax	*6*	**(54,410)**	(29,564)
Profit for the year		**266,992**	144,936
Profit attributable to equity shareholders of the Company		**266,992**	144,936
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of entities outside mainland China		**11,611**	3,347
Other comprehensive income, net of tax		**11,611**	3,347
Total comprehensive income		**278,603**	148,283
Total comprehensive income attributable to equity shareholders of the Company		**278,603**	148,283
Earnings per share			
Basic	*7(a)*	**RMB0.26**	RMB0.14
Diluted	*7(b)*	**RMB0.25**	RMB0.14

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in Renminbi)

	Note	At 31 December 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment		**284,384**	165,547
Intangible assets		**35,576**	38,148
Goodwill		**29,346**	27,826
Deferred tax assets		**14,861**	12,908
Prepayments for property, plant and equipment		**–**	23,382
		364,167	267,811
Current assets			
Inventories		**229,330**	166,401
Trade receivables	*9*	**271,742**	140,202
Bills receivable	*9*	**84,167**	44,002
Deposits, prepayments and other receivables		**33,913**	17,668
Other financial assets		**217,386**	35,662
Pledged deposits		**5,000**	–
Cash and cash equivalents		**276,521**	421,054
		1,118,059	824,989
Current liabilities			
Trade payables	*10*	**79,004**	55,869
Contract liabilities		**40,950**	52,895
Accruals and other payables		**170,573**	103,851
Bank loans		**1,700**	–
Lease liabilities		**3,940**	599
Current tax		**31,710**	15,272
		327,877	228,486
Net current assets		**790,182**	596,503
Total assets less current liabilities		**1,154,349**	864,314

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2019
(Expressed in Renminbi)

	Note	At 31 December 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current liabilities			
Deferred income		**13,193**	10,522
Lease liabilities		**6,295**	347
Deferred tax liabilities		**18,851**	11,687
		38,339	22,556
NET ASSETS		**1,116,010**	841,758
Capital and reserves			
Share capital	*11*	**8,888**	8,779
Reserves		**1,107,122**	832,979
Total equity attributable to equity shareholders of the Company		**1,116,010**	841,758
Total equity		**1,116,010**	841,758

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB'000 unless otherwise indicated)

1 ORGANISATION AND PRINCIPAL ACTIVITIES

AK Medical Holdings Limited (the "**Company**") was incorporated in Cayman Islands on 17 July 2015 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, "**the Group**") are principally engaged in design, develop, produce and market orthopedic joint implants and related products.

The Company's shares were listed on the Stock Exchange on 20 December 2017 (the "**Listing**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements set out in this announcement has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of measurement and preparation of the financial statements

The financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand, while the functional currency of the Company is Hong Kong dollars (HK$). The Company's primary subsidiaries were incorporated in the People's Republic of China (the "**PRC**") and the subsidiaries considered RMB as their functional currency. The Group determined to present these financial statements in RMB, unless otherwise stated.

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries.

The financial statements are prepared on the historical cost basis, except that other financial assets – investment in structured deposit are stated at their fair value.

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, Leases, and the related interpretations, 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. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as a right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *RMB'000*	Capitalisation of operating lease contracts *RMB'000*	Carrying amount at 1 January 2019 *RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	165,547	13,952	179,499
Deferred tax assets	12,908	190	13,098
Total non-current assets	267,811	14,142	281,953
Deposits, prepayments and other receivables	17,668	(806)	16,862
Total current assets	824,989	(806)	824,183
Lease liabilities (current)	599	5,705	6,304
Current liabilities	228,486	5,705	234,191
Net current assets	596,503	(6,511)	589,992
Total assets less current liabilities	864,314	7,631	871,945
Lease liabilities (non-current)	347	8,602	8,949
Total non-current liabilities	22,556	8,602	31,158
Net assets	841,758	(971)	840,787

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are manufacturing and sale of orthopedic joint implants and its complete set of surgical instrument.

Disaggregation of revenue from contracts with customers by major products is as follows:

	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers		
Disaggregated by major products of service lines		
– Hip replacement implants	**544,418**	351,958
– Knee replacement implants	**229,728**	145,098
– 3D-printed products	**123,433**	69,945
– Third party orthopedic products	**13,585**	11,866
– Others	**15,541**	21,695
	926,705	600,562

The Group's customer base is diversified. There was no customer with whom transactions have exceeded 10% of the Group's revenue in 2019 (2018: nil).

(b) Segment reporting

The Group acquired JRI, a private company limited by shares incorporated in England and Wales on 10 April 2018. JRI's operation and assets are mainly based in the United Kingdom (the "**UK**"). After the acquisition, the Group manages its businesses by geographical location in which the entities operate. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the two reportable segment based on geographical location: China and the UK. No operating segments have been aggregated to form the reportable segments.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets and deferred tax assets. Segment liabilities include trade creditors and accruals attributable to the manufacturing and sales activities of the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Corporate expenses are allocated to the segment in China as all management are based in China.

The measure used for reporting segment profit is "reportable segment profit before taxation".

In addition to receiving segment information concerning reporting segment profit, management is provided with segment information concerning inter segment sales, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Disaggregation of revenue from contracts with customers, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

	Orthopedic implants – China		**Orthopedic implants – United Kingdom**		**Total**	
	2019	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**834,970**	531,738	**91,735**	68,824	**926,705**	600,562
Inter-segment revenue	**–**	–	**51,150**	33,760	**51,150**	33,760
Reportable segment revenue	**834,970**	531,738	**142,885**	102,584	**977,855**	634,322
Reportable segment profit	**310,177**	177,836	**13,679**	230	**323,856**	178,066
Interest income	**10,136**	5,148	**–**	–	**10,136**	5,148
Depreciation and amortisation for the year	**18,671**	12,505	**13,486**	8,235	**32,157**	20,740
Reportable segment assets	**1,082,300**	889,830	**191,817**	161,956	**1,274,117**	1,051,786
Additions to non-current assets during the year	**115,813**	77,972	**16,481**	8,268	**132,294**	86,240
Reportable segment liabilities	**315,554**	216,033	**24,239**	15,606	**339,793**	231,639

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2(c).

(ii) ***Reconciliations of reportable segment revenues, profit or loss, assets and liabilities***

	2019	2018
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**977,855**	634,322
Elimination of inter-segment revenue	**(51,150)**	(33,760)
Consolidated revenue	**926,705**	600,562
Profit		
Reportable segment profit	**323,856**	178,066
Elimination of inter-segment profits	**(2,454)**	(3,566)
Consolidated profit before taxation	**321,402**	174,500
Assets		
Reportable segment assets	**1,274,117**	1,051,786
Elimination of inter-segment receivables	**(24,138)**	(7,556)
	1,249,979	1,044,230
Other financial assets	**217,386**	35,662
Deferred tax assets	**14,861**	12,908
Consolidated total assets	**1,482,226**	1,092,800
Liabilities		
Reportable segment liabilities	**339,793**	231,639
Elimination of inter-segment payables	**(24,138)**	(7,556)
	315,655	224,083
Current tax liabilities	**31,710**	15,272
Deferred tax liabilities	**18,851**	11,687
Consolidated total liabilities	**366,216**	251,042

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and goodwill ("**specified non-current assets**"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	Revenues from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
– China	**799,611**	513,130	**261,717**	181,491
– Other countries	**127,094**	87,432	**87,589**	73,412
	926,705	600,562	**349,306**	254,903

4 OTHER INCOME, NET

	2019	2018
	RMB'000	*RMB'000*
Government grants	**6,655**	5,500
Insurance compensation	**12,843**	–
Others	**836**	(557)
	20,334	4,943

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs:

	2019	2018
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**147,499**	94,272
Contribution to defined contribution retirement scheme	**8,653**	4,189
Equity settled share-based transactions	**10,692**	4,981
	166,844	103,442

The Group has no other material obligation for the payment of retirement benefits other than the annual contributions described above.

(b) Other items

	2019	2018
	RMB'000	*RMB'000*
Cost of Inventories*	**293,007**	199,000
Amortisation of intangible assets	**7,553**	5,230
Depreciation charge		
– owned property, plant and equipment	**19,014**	15,051
– right-of-use assets	**5,590**	459
	24,604	15,510
Credit losses from trade and other receivables	**4,450**	443
Operating lease charges under IAS 17	**–**	6,460
Auditors' remuneration		
– Audit services	**3,418**	3,176
– Audit related services	**–**	1,600
	3,418	4,776

* Cost of inventories includes RMB60,516,000 in 2019 (2018: RMB43,210,000) relating to staff costs, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above.

6 INCOME TAX

(a) Amounts recognised in profit or loss

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**50,456**	26,974
Over-provision in respect of prior years	**(1,195)**	(1,474)
Deferred tax		
Origination and reversal of temporary differences	**5,149**	4,064
	54,410	29,564

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

The Group has no assessable profit in Hong Kong for 2019 (2018: nil) and is not subject to any Hong Kong profits tax. Hong Kong profits tax rate of 2019 is 16.5% (2018: 16.5%). The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for 2019 at the rates of taxation prevailing in the countries in which the Group operates.

Applicable statutory enterprise income tax rate of PRC subsidiaries of the Company for 2019 are 25% (2018: 25%). According to the relevant PRC income tax law, the Company's subsidiary, Beijing AKEC Medical Co., Ltd. ("**AK Medical Beijing**") was certified as a New and High Technology Enterprise in Beijing since 2008, and is entitled to a preferential income tax rate of 15%. The current certification of New and High Technology Enterprise held by AK Medical Beijing will be expired on 9 August 2020.

Taxation for subsidiaries operating mainly in the England and Wales were calculated at statutory enterprise income tax rate of 19% for 2019 (2018: 19%).

According to the Income Tax Law and its implementation rules, dividends receivable by non-PRC resident investors from PRC entities are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. AK Medical International Limited and Bright AK Limited, subsidiaries of the Group are subject to PRC dividend withholding tax at 10% on dividends receivables from their PRC subsidiaries.

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**321,402**	174,500
Notional tax of PRC statutory tax rate of 25%	**80,351**	43,625
Effect of PRC preferential tax rate	**(31,459)**	(18,887)
Effect of lower tax rates in other countries	**(821)**	(92)
Effect of non-deductible expenses	**1,258**	558
Effect of unused tax losses not recognised	**2,873**	3,163
Effect of additional deduction on research and development expenses *(note)*	**(4,979)**	(2,374)
PRC dividend withholding tax	**8,382**	5,045
Over-provision in respect of prior years	**(1,195)**	(1,474)
Actual tax expenses	**54,410**	29,564

Note: According to the relevant PRC income tax law, certain research and development costs of PRC subsidiaries are qualified for 75% (2018: 75%) additional deduction for tax purpose.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB266,992,000 (2018: RMB144,936,000) and the weighted average number of issued ordinary shares of 1,041,589,644 (2018: 1,037,191,781 shares) during the year, calculated as follows:

Weighted average number of ordinary shares

	2019	2018
Issued ordinary shares at 1 January	**1,040,475,000**	1,000,000,000
Effect of issue of shares under the over-allotment option	**–**	37,191,781
Effect of issue of shares under the Company's share option scheme	**1,114,644**	–
Weighted average number of ordinary shares at 31 December	**1,041,589,644**	1,037,191,781

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB266,992,000 (2018: RMB144,936,000) and the weighted average number of issued ordinary shares of 1,058,326,263 (2018: 1,047,691,162 shares) after adjusting the effects of dilutive potential ordinary shares during the year, as follows:

Weighted average number of ordinary shares (diluted)

	2019	2018
Weighted average number of ordinary shares at 31 December	**1,041,589,644**	1,037,191,781
Effect of deemed issue of shares under the Company's share option scheme	**16,736,619**	10,499,381
Weighted average number of ordinary shares (diluted) at 31 December	**1,058,326,263**	1,047,691,162

8 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2019	2018
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK$7.5 cents per ordinary share (2018: HK$3.5 cents per ordinary share)	**74,318**	31,908

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Final dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2019	2018
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$3.5 cents per ordinary share (2018: HK$3.5 cents per ordinary share)	**32,153**	32,014

9 BILLS RECEIVABLE/TRADE RECEIVABLES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Bills receivable	**84,167**	44,002
Trade receivables	**281,622**	146,303
Less: allowance for credit loss	**(9,880)**	(6,101)
	271,742	140,202

Ageing analysis

Bills receivable are bank acceptance bill received from customers, with expiration dates within 6 months.

As at 31 December 2019, the ageing analysis of trade receivables based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for credit loss, is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current to 3 months	**212,972**	105,243
3 to 6 months	**18,332**	14,274
6 to 12 months	**26,382**	14,906
Over 12 months	**14,056**	5,779
	271,742	140,202

The credit terms agreed with customers were normally ranged from 1 month to 6 months from the date of billing. No interest is charged on the trade receivables.

10 TRADE PAYABLES

As at 31 December 2019, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**63,493**	48,301
3 to 6 months	**12,058**	4,238
6 to 12 months	**1,648**	1,434
1 year to 2 years	**526**	922
Over 2 years	**1,279**	974
	79,004	55,869

All trade payables are expected to be settled within one year.

11 SHARE CAPITAL

	2019		2018	
	No. of shares	***Amount RMB'000***	*No. of shares*	*Amount RMB'000*
Authorised-ordinary shares of HK$0.01 each:				
At 1 January and 31 December	**20,000,000,000**	**168,981**	20,000,000,000	168,981
Ordinary shares, issued and fully paid:				
At 1 January	**1,040,475,000**	**8,779**	1,000,000,000	8,450
Shares issued under over-allotment option	**–**	**–**	37,500,000	304
Shares issued under share option scheme	**12,225,000**	**109**	2,975,000	25
At 31 December	**1,052,700,000**	**8,888**	1,040,475,000	8,779

The holders of ordinary shares as at 31 December 2019 are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Outlook

Overview

2019 is the first full year since the implementation of the state institutional reform. The National Health Commission, the National Healthcare Security Administration and the National Medical Products Administration (the "**NMPA**") focus on performing their respective duties in the medical care, medical insurance and pharmaceutical areas, which link and interact with one another, and issued a series of significant policies and regulations, among which, certain regulations are specific to the medical device industry, which promoted the development of the entire industry and brought new challenges to corporations within the industry. The Reform Plan on Managing High-Value Medical Consumables issued by the General Office of the State Council at the end of July 2019 put forward requirements from several aspects, including improving the price formation mechanism, regulating medical service behaviors, and improving supervision and management mechanism. As core payers, the national and local medical insurance departments have led a series of reforms in the payment system, including centralized procurement, abolishment of consumable price markups, and progressive implementation of DRGs. In 2019, Anhui Province and Jiangsu Province took the lead in conducting centralized procurement of orthopedic products, and the exploration of the price formation mechanism gradually affected the development of the entire industry.

The reform of the payment system may pose certain pressure on the market price of orthopedic products, however, with further in-depth hierarchical diagnosis and treatment and the strengthening of medical insurance coverage, orthopedic products also experienced explosive market demands. The Group seized the opportunity of the continuously growing market demand, and steadily promoted the Group's business growth through the provision of unique technologies and diversified products, and further expanded its market share.

For the year ended 31 December 2019, the Group achieved annual revenue of RMB926.7 million, representing an increase of 54.3% as compared to 2018; the Group achieved profit of RMB267.0 million, representing a significant increase of 84.2% as compared to 2018.

3D-printed Products Business

3D-printed products are the products produced using 3D-printing technologies.

In 2019, the Group's 3D-printed products achieved sales revenue of RMB123.4 million, representing an increase of 76.5% as compared to 2018. The 3D-printing industry is able to maintain rapid growth mainly attributable to the concepts and advantages of 3D-printed products, which have been widely recognized by orthopedists after continuous market nurturing and promotion and the publication of related academic journals. In 2019, the Group launched 3D-printed Artificial Pelvis System and 3D ACT Dual Mobility Cup Revision

System. 3D-printed Artificial Pelvis System is designed for the reconstruction of the pelvis area after cutting out the bone tumor tissue, which could provide more stable fixation and better recovery of motor function of the patients. 3D ACT Dual Mobility Revision System is suitable for patients with acetabular lateral bone defects, where surgeons are provided with a simpler and more effective way to conduct acetabular reconstruction, which greatly lowers the learning curve of orthopedists and helps surgeons to complete complex hip revision surgery with ease. Overall, it simplifies complex and difficult issues and makes surgical operations easier. In 2019, the 3D-printed spinal products also made a breakthrough with products adopted by more than 100 hospitals nationwide, more than half of which are well-known Class III hospitals. It has gained more recognition from experts in fields related to intractable diseases and bone tumor.

In 2019, the Group also continued to promote 3D Accurate Construction Technology ("**3D ACT**") to provide customers with personalized services. For the year ended 31 December 2019, such platform has covered 964 hospitals, an increase of 142 hospitals compared with 2018. The platform has assisted doctors in designing 4,741 surgical solutions, recording an increase of 1,063 cases compared with 2018. The accumulation of surgical solutions on this platform will help the Group better understand the features of various diseases in Chinese patients and help the Group better develop prosthesis suitable for Chinese patients. Meanwhile, as an aid to marketing, this platform played an important role in helping the Group to enter into high-end medical market and especially in Class III hospitals in the first- and second-tier cities in the PRC.

Hip and Knee Products Business

The hip and knee products business under this section does not include 3D-printed products.

In 2019, the Group continued to provide its customers and patients with a full range of orthopedic joint products, including hip and knee implants and tools for primary, complex, revision and reconstruction surgeries.

In 2019, the Group's hip and knee products delivered RMB774.1 million in revenue, representing a year-on-year increase of 55.7%. Such rapid growth in the sales revenue from hip and knee products was attributable to its superior product quality and extensive sales channels. In 2019, more hospitals, especially Class II hospitals, can carry out joint replacement surgeries as the skills of orthopedists continue to improve and medical insurance has a broader coverage. As a result, the demand for artificial joint products has further increased. The Group takes advantage of this opportunity to further consolidate its advantages in the lower-end and middle-end market. Meanwhile, the Group have gained more market share as it gradually entered into the high-end market by leveraging on leading technologies and high-quality products.

In 2019, the Group's new knee joint product, the hinged knee ("**AHK**") implant, has been implanted in over 100 cases. AHK is the first hinged knee system in China for complex knee replacement surgeries, which has passed clinical trials and approved for launch. This product has advanced design concept, demonstrating the advanced research and technical capabilities of the Group.

Research and Development

As an orthopedic company mainly driven by research and development ("**R&D**"), the Group continues to strengthen its investment in R&D and enhance its R&D capabilities. In 2019, the Group established a R&D system that combines technology and markets from the perspective of strategy. On the one hand, the Group has researched and explored innovative technologies in the field of orthopedics to prepare for future clinical applications. On the other hand, the Group continues to upgrade and improve its products according to market demand and surgeons' feedback.

In 2019, the Group have newly obtained four product registration certificates for Class III medical devices approved by the NMPA (including joint and spinal products). For the year ended 31 December 2019, AK Medical brand owned 32 registration certificates for Class III medical devices approved by the NMPA. ITI brand owned 4 Class III registration certificates for hip and knee joint implant, and has built the foundation for products launch and sales. JRI brand owned 10 CE certifications approved by European regulators and 9 Anvisa certifications approved by Brazilian regulators and owned 2 registration certificates for Class III medical devices approved by the NMPA.

The number of patents the Group has obtained also continues to grow. As of 31 December 2019, the Group has obtained a total of 69 invention patents, 228 utility patents, two patents under Patent Cooperation Treaty ("**PCT**"), and two appearance patents, with 201 invention patents, 68 utility patents and 14 patents under PCT pending for approval. The continuous accumulation of patents, on the one hand, demonstrates its R&D capabilities, and better protects the intellectual property of the Company on the other hand.

ITI Medical (Changzhou Facilities)

Established in March 2016, ITI Medical Co., Ltd. is a wholly-owned subsidiary of the Company, with the registered capital of USD13,200,000, total investment scale of USD37,500,000 and total construction volume of 35,000m^2. The project will be constructed in phases, and the annum production capacity of artificial joints will reach 300,000 sets after the completion of the project.

The construction of ITI Medical was completed in the first half of 2019 and commenced operation in the second half of 2019.

Sales and Marketing

In 2019, the Group has further strengthened the management of the sales system. On the one hand, the Group took advantage of the international resources of JRI to establish an academic cooperative platform, where the Group has trained an aggregate of nearly 3,000 doctors. On the other hand, leveraging its advantage in revision products, the Group promoted the product launches by setting up multi-center clinical research centers of relevant products in various regions and selecting provincial academic leaders.

The Group has also built a multi-levelled academic training system. For experts within the industry with leading academic status, the Group has established an international academic exchange platform which provides them an opportunity to communicate with internationally renowned experts. As for doctors in local hospitals, the Group invited foreign experts to conduct training demonstrations, and give face to face guidance according to specific cases. For the large number of doctors in Class II hospitals in need of urgent improvement, the Group created an online training system and invited experts within the industry to give remote guidance and teaching. As of 31 December 2019, the Group's online platform has trained over 2,000 doctors.

Prospects

Against the backdrop of the rapid development of medical device industry, as a leader in orthopedic joint industry in the PRC, the Group will continue to strengthen its leading position in the industry and adopt proactive development strategies, including but not limited to the following:

1. ***Making various business lines growth with 3D-printing technology and becoming the leading orthopedic brand in the PRC with a global image***

   As the leader of orthopedic 3D-printing technology in the PRC, the Group will continue to increase its investment in R&D of 3D-printing technology and apply it to more products and penetrate into other segments of orthopedics other than orthopedic joint based on the advantage of 3D-printing technology, enabling the Group to gradually become the leading brand in China's orthopedic industry.

2. ***Sorting out the construction of internal system to adapt to the rapid development of the industry***

   The Group sorted out its internal system based on five aspects, including: 1) building a focus-oriented marketing system, enhancing the marketing team with result-oriented, service-providing concepts and competency, and strengthening the cooperative interaction between the domestic and foreign subsidiaries; 2) establishing a technology and market oriented R&D system; 3) setting up differentiated manufacturing system which equips with the capability of producing and manufacturing in scale, high quality, high efficiency and on-time delivery; 4) developing a risk management and control system of precise foresight to prevent all types of risks; 5) creating a talent organization system for incentive and empowerment.

3. ***Paying attention to all types of industrial policies issued by the government and making proactive response based on our own characteristics***

   The development of the medical device industry and the industrial policies issued by government are closely related. Since 2019, the PRC government has commenced a new round of medical and pharmaceutical system reform and issued various policies and regulations concerning the development of the industry. The Group will continue to follow closely on these policies that may have a material impact on the industry and make proactive response based on its advantages and characteristics in order to seize opportunities for rapid growth.

FINANCIAL REVIEW

Overview

	Year ended 31 December		
	2019	2018	Variance
	RMB'000	*RMB'000*	%
Revenue	**926,705**	600,562	54.3%
Gross profit	**643,251**	408,881	57.3%
Profit for the year attributable to equity shareholders of the Company	**266,992**	144,936	84.2%
Earnings per share			
Basic	**RMB0.26**	RMB0.14	
Diluted	**RMB0.25**	RMB0.14	

Faced with a challenging market for medical devices and benefited from the opportunities brought by import substitution, the Group continued to maintain a rapid growth and achieved the revenue of RMB926.7 million for the year ended 31 December 2019, recording an increase of 54.3% as compared to 2018, as a result of (i) the established brand image of the Company by virtue of 3D-printing technology and 3D ACT platform whereby the Company, leveraging its brand image, acquired additional market share, (ii) the application of the international clinical education resources to actively expand the Group's market, and (iii) further penetration of the performing of joint surgeries into more hospitals in Mainland China due to its increasing demand, hence effectively promoted the sales of 3D-printed products and regular hip and knee products. The Group maintained its leading position in the Chinese joint implants market in terms of sales, and recorded a further increase in market share. The Group firmly believes that it will grow its business even further and continue to improve the quality of life for patients, with its subsequent R&D of more new products, implementation of the dual-brand global strategy and its advantages on international clinical education resources and 3D ACT platform.

The following discussions are based on the financial information and notes to the financial statements set out in this announcement above and should be read in conjunction with them.

Revenue

	Year ended 31 December		
	2019	2018	Variance
	RMB'000	*RMB'000*	%
Hip replacement implants(1)	**544,418**	351,958	54.7%
Knee replacement implants	**229,728**	145,098	58.3%
3D-printed products(2)	**123,433**	69,945	76.5%
Third party orthopedic products	**13,585**	11,866	14.5%
Others(3)	**15,541**	21,695	–28.4%
Total	**926,705**	600,562	54.3%

Notes:

(1) Excluding 3D-printed hip replacement implants;

(2) Including 3D-printed hip replacement implants, spinal interbody cages, artificial vertebral bodies and artificial pelvis;

(3) Others primarily include surgical instruments and medical irrigators

The Group's revenue amounted to RMB926.7 million for the year ended 31 December 2019, representing an increase of 54.3% as compared with RMB600.6 million for the year ended 31 December 2018. The significant increase of revenue was mainly attributable to (i) the established brand image of the Company by virtue of 3D-printing technology and 3D ACT platform whereby the Company, leveraging its brand image, acquired additional market share, (ii) the application of the international clinical education resources to actively expand the Group's market and (iii) further penetration of the performing of joint surgeries into more hospitals in Mainland China due to its increasing demand, hence effectively promoted the sales of 3D-printed products and regular hip and knee products.

Hip and Knee Implants Products

The Group's hip and knee implants products include hip implants and knee implants. The Group's hip implants recorded revenue of RMB544.4 million for the year ended 31 December 2019, representing an increase of 54.7% as compared with RMB352.0 million for the year ended 31 December 2018. Such increase was partly attributable to the Group's 3D-printing technology and the use of international clinical education resources to expand the Group's market, which enabled the sales growth of hip implants. On the other hand, as a larger sales proportion in the product portfolio in 2019 came from the new products that the Group launched during the past three years, the average unit selling price of hip implants grew accordingly in 2019, which also boosted the revenue growth of hip implants.

The Group's knee implants recorded revenue of RMB229.7 million for the year ended 31 December 2019, representing an increase of 58.3% as compared with RMB145.1 million for the year ended 31 December 2018. Such increase was mainly attributable to the launch of knee surgery solutions (which could deal with certain difficult and complex issues such as AHK) by the Group to the market, which facilitated in consolidating the brand image of the Group as a comprehensive solution provider for knee implants products and thus has driven the increase in the sales of the Group's cost-effective knee implants products.

3D-printed Products

The Group's 3D-printed products mainly include 3D-printed hip implants, 3D-printed artificial vertebral bodies and spinal interbody cages and 3D-printed artificial pelvis implants. The Group's 3D-printed products recorded revenue of RMB123.4 million for the year ended 31 December 2019, representing an increase of 76.5% as compared with RMB69.9 million for the year ended 31 December 2018. Such increase was mainly due to the fact that our 3D-printed products have been highly recognized by the market for their technological innovation and functional superiority and hence delivered such sales growth.

Third Party Orthopedic Products

To enrich the Group's product portfolio, the Group also distributed the orthopedic products produced by third parties. In 2019 and 2018, the Group's revenue from distributing third party orthopedic products amounted to RMB13.6 million and RMB11.9 million, representing 1.5% and 2.0% of its revenue, respectively.

Domestic and Overseas Sales

Most of the Group's revenue came from China with small proportion of the revenue from overseas sales. A breakdown of the Group's sales revenue from China and the overseas is as follows:

	Year ended 31 December		
	2019	2018	Variance
	RMB'000	*RMB'000*	*%*
China	**799,611**	513,130	55.8%
Other countries	**127,094**	87,432	45.4%
Total	**926,705**	600,562	54.3%

Cost of Sales

For the year ended 31 December 2019, the Group's cost of sales was RMB283.5 million, representing an increase of 47.9% as compared with RMB191.7 million for the year ended 31 December 2018. The increase in cost of sales was primarily due to an increase in sales volume of the Group's products.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of sales. The Group's gross profit grew by 57.3% to RMB643.3 million for the year ended 31 December 2019 from RMB408.9 million for the year ended 31 December 2018. The increase in gross profit was primarily driven by the increase in the Group's overall business scale and by taking effective cost control measures.

Gross margin is calculated as gross profit divided by revenue. The Group's gross margin was 69.4% for the year ended 31 December 2019, up from 68.1% for the year ended 31 December 2018, which was primarily due to the increase in sales of products such as A3 knee products and 3D-printed products with a relatively higher gross margin in the product portfolio.

Other Income, net

The Group's other income for the year ended 31 December 2019 was RMB20.3 million, representing an increase of RMB15.4 million as compared of RMB4.9 million for the year ended 31 December 2018. The increase in other income was primarily due to the insurance compensation received by JRI.

Selling and Distribution Expenses

Selling and distribution expenses were RMB175.3 million for the year ended 31 December 2019, representing an increase of 42.7% as compared with RMB122.9 million for the year ended 31 December 2018. The increase was primarily due to an increase in salary, benefits, transportation fees and travel expense as a result of an increased number of sales personnel; and an increase in various expenses such as the external services, academic promotion, industry conferences and logistic expenses alongside with the expansion of business scale.

General and Administrative Expenses

General and administrative expenses amounted to RMB92.2 million for the year ended 31 December 2019, representing an increase of 24.4% as compared with RMB74.1 million for the year ended 31 December 2018. The increase was mainly due to the increase of labor cost caused by the increase of management personnel and the increase of share option expense, as well as amortisation of intangible assets recognised from merging JRI.

Research and Development Expenses

Research and development expenses for the year ended 31 December 2019 was RMB80.5 million, representing an increase of 76.6% as compared with RMB45.6 million for the year ended 31 December 2018. The increase was mainly due to the increase in labor cost of R&D staff and the increase of service fee from external cooperative R&D institutions, conference fee, testing fee, registration fee as well as patent registration fee as a result of the continuous and proactive product R&D by the Company in 2019.

Net Finance Income

Net finance income was RMB5.9 million for the year ended 31 December 2019, representing an increase of RMB2.6 million from RMB3.3 million for the year ended 31 December 2018. Such increase was primarily attributable to higher cash balance kept in 2019.

Income Tax Expenses

Income tax expense was RMB54.4 million for the year ended 31 December 2019, representing an increase of 84.0% as compared with RMB29.6 million for the year ended 31 December 2018. Such increase was primarily due to an increase in our profit before tax resulting from our expansion of operations. At the same time, the withholding income tax that withholds 10% of the expected profit available for distribution from the operating entities in China for the year ended 31 December 2019 also led to the increase in income tax.

Liquidity and Financial Resources

As at 31 December 2019, the Group had cash and cash equivalents of RMB276.5 million, structured deposit of RMB217.4 million and guarantee deposit of RMB5.0 million, amounting to RMB498.9 million in aggregate, as compared with RMB456.7 million as at 31 December 2018. The Board's approach to manage the liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

Net Current Assets

The Group had net current assets of RMB790.2 million as at 31 December 2019, representing an increase of RMB193.7 million as compared with RMB596.5 million as of 31 December 2018. Such increase primarily represents the proceeds from the operations of the Group.

Foreign Exchange Exposure

The Group's principal business is located in China, and we are exposed to foreign currency risks, primarily including account receivables, account payables and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the operations to which the transaction relates generating from overseas sales and purchases. The currencies giving rise to this risk are primarily US$ and Euro. For the year ended 31 December 2019, the Group recorded an exchange loss of RMB3.6 million, as compared to an exchange loss of RMB1.9 million for the year ended 31 December 2018. So far, the Group has not had any hedging arrangements to manage foreign exchange risks but has been actively monitoring and overseeing its foreign exchange risks.

Capital Expenditure

For the year ended 31 December 2019, the Group's total capital expenditure amounted to approximately RMB132.3 million, which was primarily used in (i) construction of factories; (ii) acquiring equipment, machinery, and software for manufacturing and R&D activities.

Charge of Assets/Pledge of Assets

As of 31 December 2019, we pledged a deposit of RMB5.0 million in the margin account to obtain the monthly settlement qualification of relevant tax for import and export operations incurred by the PRC Customs. Other than that, the Group did not have any charge of assets or pledge of assets.

Borrowings and Gearing Ratio

As of 31 December 2019, the Group had borrowed bank loans of RMB1.7 million owing to the purchase of 3D printing equipment overseas. Apart from that, the Group did not have any outstanding bank loans or other borrowings. Gearing ratio represents the percentage of bank borrowings to total equity. As of 31 December 2019, the gearing ratio of the Group was 0.2% (as of 31 December 2018: Nil).

Contingent Liabilities

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

Significant Investments

As of 31 December 2019, 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 31 December 2019, the Group did not have other plans for material investments and capital assets, except for the continuous construction of Changzhou Facilities.

Employee and Remuneration Policy

As of 31 December 2019, the Group had 790 employees (31 December 2018: 575 employees). Total staff remuneration expenses including Directors' remuneration for the year ended 31 December 2019 amounted to RMB166.8 million (for the year ended 31 December 2018: RMB103.4 million). The increase in staff remuneration was primary due to the increase in headcounts and the cost of share option scheme.

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 net proceeds from the initial public offering of the Company were approximately HK$477.0 million. The net proceeds have been utilized in the manner consistent with that disclosed in the prospectus of the Company dated 7 December 2017 under the section headed "Future Plans and Use of Proceeds".

The net proceeds from the initial public offering of the Company will be utilized in accordance with the purposes set out in the prospectus. As of 31 December 2019, the Group applied the net proceeds for the following purposes.

	Percentage of total amount	Use of proceeds in the same manner and proportion as stated in the prospectus *(in millions of Hong Kong dollars)*	Actual use of proceeds up to 31 December 2019 *(in millions of Hong Kong dollars)*	Balance as at 31 December 2019 *(in millions of Hong Kong dollars)*
Construction of Changzhou Facilities and upgrade the Group's existing facilities	41%	195	191	4
Development and upgrade of the Group's 3D-printed products and PTIP, funding the R&D of 3D-printed products	21%	100	66	34
For other R&D activities	15%	73	68	5
Funding potential acquisitions and developing strategic alliances	15%	73	73	–
For general corporate purposes	8%	36	36	–
Total	100%	477	434	43

Subsequent Event

The Company completed the placement and the subscription on 25 February 2020 and 4 March 2020, respectively. A total of 53,500,000 placing shares have been placed at the placing price of HK$15.0 per share to no fewer than six independent placees who and whose respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons. For further details, please refer to the announcements of the Company dated 21 February 2020 and 4 March 2020.

The outbreak of COVID-19 virus in 2020 in China and the measures taken by the government could have an adverse effect on our business taking into consideration (i) some patients who expect to undergo joint implant operations delayed their surgery appointments or plans; (ii) there may be disruption or delay to the supply chain of the Group including the procurement of raw materials and delivery of finished products; and (iii) certain other suppliers and service providers may not be able to fully resume their supply or service capacities.

Save for the above, no material events have occurred since 31 December 2019.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and management are committed to achieving high corporate governance standards. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the year ended 31 December 2019 and up to the date of this announcement, with the exception of code provision A.2.1.

According to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviates from this code provision because the chairman and chief executive officer of the Company are held by Mr. Li Zhijiang who is the founder of the Group and has extensive experience in the industry. The Board believes that Mr. Li Zhijiang 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 also considers that the current structure of vesting the roles of chairman and chief executive officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

SCOPE OF WORK OF KPMG

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for transactions in the Company's securities during the year ended 31 December 2019 and up to the date of this announcement.

The Company has also established written guidelines on no less stringent terms than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2019 and up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year, there was no material acquisition or disposal of subsidiaries and associated companies by the Company.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public at all times during the financial year ended 31 December 2019 as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing shareholders.

ANNUAL GENERAL MEETING

The Annual General Meeting ("**AGM**") of the Company will be held on Monday, 15 June 2020. The notice of AGM will be sent to shareholders at least 20 clear business days before AGM.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK$7.5 cents per ordinary share for the year ended 31 December 2019 (2018: HK$3.5 cents) to the shareholders whose names appear on the register of members of the Company on Wednesday, 24 June 2020. The final dividend, if approved by the shareholders of the Company at the AGM, will be payable on or around Wednesday, 15 July 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders who are entitled to attend and vote at the AGM to be held on Monday, 15 June 2020, the register of members of the Company will be closed from Wednesday, 10 June 2020 to Monday, 15 June 2020, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with 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 Tuesday, 9 June 2020.

(b) For the purpose of determining shareholders who qualify for the final dividend, the register of members of the Company will be closed from Monday, 22 June 2020 to Wednesday, 24 June 2020, both days inclusive. In order to qualify for the final dividend, all 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 Friday, 19 June 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company at http://ak-medical.net/ and the Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk. The 2019 annual report containing all the information required by Appendix 16 of the Listing Rules will be dispatched to shareholders of the Company and published on the above websites in due course.

By Order of the Board
AK Medical Holdings Limited
Li Zhijiang
Chairman

Hong Kong, 23 March 2020

As at the date of this announcement, the Board comprises Mr. Li Zhijiang, Ms. Zhang Bin, Mr. Zhang Chaoyang and Ms. Zhao Xiaohong as executive Directors, Mr. Li Wenming and Dr. Wang David Guowei as non-executive Directors, and Mr. Dang Gengting, Mr. Kong Chi Mo and Mr. Li Shu Wing David, as independent non-executive Directors.