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 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2020	2019	**Variance**
	RMB'000	*RMB'000*	*%*
Revenue	**1,035,386**	926,705	11.7%
Gross profit	**714,532**	643,251	11.1%
Profit for the year	**314,007**	266,992	17.6%
Profit for the year attributable to equity shareholders of the Company	**314,007**	266,992	17.6%
Profit for the year, excluding certain non-recurring items*	**322,855**	254,149	27.0%
Earnings per share			
Basic	**RMB0.28**	RMB0.26	
Diluted	**RMB0.28**	RMB0.25	

* *Certain non-recurring items included impairment loss on goodwill in 2020 and insurance compensation in 2019.*

Affected by the COVID-19 pandemic, the growth of the Group significantly slowed down. For the year ended 31 December 2020, the Group achieved revenue of RMB1,035.4 million, representing an increase of 11.7% as compared to 2019. The Group sustained revenue growth despite the impact of the pandemic which was mainly attributable to the established brand image and the leading position in the market, hence effectively promoted the sales of its joint products. Due to an increase in revenue, the net profit of the Group for the year ended 31 December 2020 also increased by 17.6% as compared to 2019. In 2020, affected by the uncertainty of the pandemic and policies in overseas regions, the goodwill derived from the acquisition of JRI by the Group showed signs of impairment and the Group made provision of RMB8.8 million for impairment on goodwill derived from the acquisition of JRI. After deducting the impact of goodwill impairment in 2020 and deducting the one-off insurance compensation income from JRI in 2019, the net profit of the Group for the year ended 31 December 2020 increased significantly by 27.0% as compared to 2019.

The Directors have resolved to recommend the payment of a final dividend of HK$4.0 cents per share for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020
(Expressed in Renminbi)

	Note	Year ended 31 December 2020 *RMB'000*	2019 *RMB'000*
Revenue	3	**1,035,386**	926,705
Cost of sales		**(320,854)**	(283,454)
Gross profit		**714,532**	643,251
Other income, net	4	**5,333**	20,334
Selling and distribution expenses		**(154,101)**	(175,334)
General and administrative expenses		**(83,016)**	(92,203)
Impairment loss on goodwill		**(8,848)**	–
Research and development expenses		**(104,974)**	(80,527)
Operating profit		**368,926**	315,521
Net finance income		**7,681**	5,881
Profit before taxation	5	**376,607**	321,402
Income tax	6	**(62,600)**	(54,410)
Profit for the year		**314,007**	266,992
Profit attributable to equity shareholders of the Company		**314,007**	266,992
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		**(25,553)**	11,611
Other comprehensive income, net of tax		**(25,553)**	11,611
Total comprehensive income		**288,454**	278,603
Total comprehensive income attributable to equity shareholders of the Company		**288,454**	278,603
Earnings per share			
Basic	7(a)	**RMB0.28**	RMB0.26
Diluted	7(b)	**RMB0.28**	RMB0.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

(Expressed in Renminbi)

	Note	**At 31 December 2020** *RMB'000*	At 31 December 2019 *RMB'000*
Non-current assets			
Property, plant and equipment		**364,339**	284,384
Intangible assets		**76,045**	35,576
Goodwill		**133,076**	29,346
Deferred tax assets		**50,625**	14,861
		624,085	364,167
Current assets			
Inventories		**360,711**	229,330
Trade receivables	9	**450,599**	271,742
Bills receivable	9	**101,892**	84,167
Deposits, prepayments and other receivables		**33,551**	33,913
Other financial assets		**188,402**	217,386
Pledged deposits and time deposits		**54,575**	5,000
Cash and cash equivalents		**713,091**	276,521
		1,902,821	1,118,059
Current liabilities			
Trade payables	10	**145,766**	79,004
Contract liabilities		**46,400**	40,950
Accruals and other payables		**172,177**	170,573
Bank loans		**–**	1,700
Lease liabilities		**11,413**	3,940
Current taxation		**42,082**	31,710
		417,838	327,877
Net current assets		**1,484,983**	790,182
Total assets less current liabilities		**2,109,068**	1,154,349

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 31 December 2020

(Expressed in Renminbi)

	Note	**At 31 December 2020** *RMB'000*	At 31 December 2019 *RMB'000*
Non-current liabilities			
Deferred income		**12,026**	13,193
Lease liabilities		**15,435**	6,295
Deferred tax liabilities		**38,831**	18,851
		66,292	38,339
NET ASSETS		**2,042,776**	1,116,010
CAPITAL AND RESERVES			
Share capital	11	**9,451**	8,888
Reserves		**2,033,325**	1,107,122
Total equity attributable to equity shareholders of the Company		**2,042,776**	1,116,010
TOTAL EQUITY		**2,042,776**	1,116,010

NOTES

(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 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").

The IASB has issued certain amendments to 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 accounting periods reflected in these financial statements.

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

The consolidated 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 2020 comprise the Company and its subsidiaries.

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

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*

None of these 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 in this consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. In particular, the Group does not take advantage of the practice expedient available under the amendments to IFRS 16, *Covid-19-related Rent Concessions* on lease modifications.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are manufacturing and sale of orthopedic joint implants, spinal implants, trauma implants and their complete set of surgical instruments.

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
– Hip replacement implants	**570,953**	544,418
– Knee replacement implants	**258,019**	229,728
– 3D-printed products	**126,246**	123,433
– Spinal and trauma implants	**51,814**	–
– Third party orthopedic products	**11,055**	13,585
– Others	**17,299**	15,541
	1,035,386	926,705

The Group's customer base is diversified. There was no customer with whom transactions have exceeded 10% of the Group's revenue in 2020 (2019: nil).

(b) Segment reporting

The Group acquired JRI Orthopaedics Limited ("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 segments 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 members of the senior 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 2020 and 2019 is set out below.

	Orthopedic implants – China		**Orthopedic implants – United Kingdom**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**974,290**	834,970	**61,096**	91,735	**1,035,386**	926,705
Inter-segment revenue	**–**	–	**82,369**	51,150	**82,369**	51,150
Reportable segment revenue	**974,290**	834,970	**143,465**	142,885	**1,117,755**	977,855
Reportable segment profit	**390,575**	310,177	**(11,149)**	13,679	**379,426**	323,856
Interest income	**12,959**	10,136	**–**	–	**12,959**	10,136
Depreciation and amortisation for the year	**47,088**	18,671	**13,433**	13,486	**60,521**	32,157
Impairment loss on goodwill	**–**	–	**8,848**	–	**8,848**	–
Reportable segment assets	**2,127,918**	1,082,300	**186,095**	191,817	**2,314,013**	1,274,117
Additions to non-current assets during the year	**179,027**	115,813	**4,155**	16,481	**183,182**	132,294
Reportable segment liabilities	**404,342**	315,554	**25,009**	24,239	**429,351**	339,793

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

	2020 *RMB'000*	2019 *RMB'000*
Revenue		
Reportable segment revenue	**1,117,755**	977,855
Elimination of inter-segment revenue	**(82,369)**	(51,150)
Consolidated revenue	**1,035,386**	926,705
Profit		
Reportable segment profit	**379,426**	323,856
Elimination of inter-segment profits	**(2,819)**	(2,454)
Consolidated profit before taxation	**376,607**	321,402
Assets		
Reportable segment assets	**2,314,013**	1,274,117
Elimination of inter-segment receivables	**(26,134)**	(24,138)
	2,287,879	1,249,979
Other financial assets	**188,402**	217,386
Deferred tax assets	**50,625**	14,861
Consolidated total assets	**2,526,906**	1,482,226
Liabilities		
Reportable segment liabilities	**429,351**	339,793
Elimination of inter-segment payables	**(26,134)**	(24,138)
	403,217	315,655
Current tax liabilities	**42,082**	31,710
Deferred tax liabilities	**38,831**	18,851
Consolidated total liabilities	**484,130**	366,216

(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.

	Revenue from external customers		**Specified non-current assets**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
– China	**932,256**	799,611	**506,523**	261,717
– Other countries	**103,130**	127,094	**66,937**	87,589
	1,035,386	926,705	**573,460**	349,306

4 OTHER INCOME, NET

	2020	2019
	RMB'000	*RMB'000*
Government grants	**5,139**	6,655
Insurance compensation	**–**	12,843
Others	**194**	836
	5,333	20,334

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs:

	2020	2019
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**162,850**	147,499
Contribution to defined contribution retirement scheme	**1,936**	8,653
Equity settled share-based transactions	**1,995**	10,692
	166,781	166,844

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

(b) Other items

	2020	2019
	RMB'000	*RMB'000*
Cost of Inventories*	**334,791**	293,007
Amortisation cost of intangible assets	**10,626**	7,553
Depreciation charge		
– owned property, plant and equipment	**35,674**	19,014
– right-of-use assets	**14,221**	5,590
	49,895	24,604
Credit losses from trade and other receivables	**2,528**	4,450
Auditors' remuneration		
– Audit services	**4,022**	3,418

* *Cost of inventories includes RMB75,722,000 in 2020 (2019: RMB60,516,000) relating to staff costs, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above.*

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents

	2020	2019
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**57,279**	50,456
Over-provision in respect of prior years	**(1,548)**	(1,195)
Deferred tax		
Origination and reversal of temporary differences	**6,869**	5,149
	62,600	54,410

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 2020 (2019: nil) and is not subject to any Hong Kong profits tax. Hong Kong profits tax rate of 2020 is 16.5% (2019: 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 2020 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 2020 are 25% (2019: 25%). According to the relevant PRC income tax law, the Company's subsidiaries, Beijing AKEC Medical Co., Ltd. ("AK Medical Beijing") and ITI Medical Co., Ltd. ("AK Medical Changzhou") were certified as New and High Technology Enterprises, and are entitled to a preferential income tax rate of 15%. The current certification of New and High Technology Enterprise held by AK Medical Beijing and AK Medical Changzhou will be expired on 21 October 2023 and 2 December 2023, respectively.

Taxation for subsidiaries operating mainly in the England and Wales were calculated at statutory enterprise income tax rate of 19% for 2020 (2019: 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 Company are subject to PRC dividend withholding tax at 10% on dividends receivables from their PRC subsidiaries.

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

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**376,607**	321,402
Notional tax of PRC statutory tax rate of 25%	**94,152**	80,351
Effect of PRC preferential tax rate	**(37,922)**	(31,459)
Effect of lower tax rates in other countries	**(1,267)**	(821)
Effect of non-deductible expenses	**3,789**	1,258
Effect of unused tax losses not recognised	**2,537**	2,873
Effect of additional deduction on research and development expenses *	**(7,108)**	(4,979)
PRC dividend withholding tax	**9,967**	8,382
Over-provision in respect of prior years	**(1,548)**	(1,195)
Actual tax expenses	**62,600**	54,410

* *According to the relevant PRC income tax law, certain research and development costs of PRC subsidiaries are qualified for 75% (2019:75%) 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 RMB314,007,000 (2019: RMB266,992,000) and the weighted average number of issued ordinary shares of 1,102,187,000 (2019: 1,041,590,000 shares) during the year, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at 1 January	**1,052,700,000**	1,040,475,000
Effect of issuance of new shares	**44,290,984**	–
Effect of issue of shares under the Company's share option scheme	**5,196,107**	1,114,644
Weighted average number of ordinary shares at 31 December	**1,102,187,091**	1,041,589,644

(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 RMB314,007,000 (2019: RMB266,992,000) and the weighted average number of issued ordinary shares of 1,107,166,000 (2019: 1,058,326,000 shares) after adjusting the effects of dilutive potential ordinary shares during the year, as follows:

Weighted average number of ordinary shares (diluted)

	2020	2019
Weighted average number of ordinary shares at 31 December	**1,102,187,091**	1,041,589,644
Effect of deemed issue of shares under the Company's share option scheme	**4,978,744**	16,736,619
Weighted average number of ordinary shares (diluted) at 31 December	**1,107,165,835**	1,058,326,263

8 DIVIDENDS

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

	2020	2019
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK$4.0 cents per ordinary share (2019: HK$7.5 cents per ordinary share)	**37,552**	74,318

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) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2020	2019
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$7.5 cents per ordinary share (2019: HK$3.5 cents per ordinary share)	**75,382**	32,153

9 BILLS RECEIVABLE/TRADE RECEIVABLES

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Bills receivable	**101,892**	84,167
Trade receivables	**472,511**	281,622
Less: allowance for credit loss	**(21,912)**	(9,880)
	450,599	271,742

Ageing analysis

Bills receivable are bank acceptance bill received from customers, with expiration dates within 12 months.

As at 31 December 2020, 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	
	2020	2019
	RMB'000	*RMB'000*
Current to 3 months	**337,945**	212,972
3 to 6 months	**42,232**	18,332
6 to 12 months	**41,736**	26,382
Over 12 months	**28,686**	14,056
	450,599	271,742

The credit terms agreed with customers were normally ranged from 1 month to 1 year (2019: 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 2020, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**127,532**	63,493
3 to 6 months	**15,689**	12,058
6 to 12 months	**857**	1,648
1 year to 2 years	**20**	526
Over 2 years	**1,668**	1,279
	145,766	79,004

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

11 SHARE CAPITAL

	2020		2019	
	No. of shares	**Amount**	No. of shares	Amount
		RMB'000		*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	**1,052,700,000**	**8,888**	1,040,475,000	8,779
Issuance of new shares	**53,500,000**	**479**	–	–
Shares issued under share option scheme	**9,300,000**	**84**	12,225,000	109
At 31 December	**1,115,500,000**	**9,451**	1,052,700,000	8,888

The holders of ordinary shares as at 31 December 2020 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

The year of 2020 was filled with extraordinary external change. The COVID-19 pandemic affected both daily life and global economic development. In China, the pandemic was effectively brought under control during the second half of the year, enabling economic activity and hospital operations to gradually recover to normal levels. Through implementing precise strategic plan that responded to industry trends, the Group could control the pandemic's impact and maintain a steady pace of growth.

In 2020, the National Healthcare Security Administration (the "NHSA") enhanced the medical insurance system's top-level design as part of its continuing reforms. Among these, a series of policies concerning volume-based procurement made a significant impact on the pharmaceuticals and medical devices industries. On 5 November 2020, the NHSA initiated the centralised procurement of high-value medical consumables, including coronary stents. The terminal price of selected products subsequently dropped by more than 90%. Meanwhile, the orthopedics industry was affected by the gradual implementation of provincial volume-based procurement of joint products in Jiangsu, Fujian, Zhejiang, Anhui and other provinces in 2020. This similarly resulted in a decline of the terminal price of products. It is expected that volume-based procurement will continue to be promoted at provincial or national levels in 2021.

Despite the impact of the COVID-19 pandemic and the uncertain external environment, the Group remained dealing with the changes positively and flexibly, leveraging on its rich product portfolio and R&D advantages. As of 31 December 2020, the Group recorded sales revenue of RMB1,035.4 million and a net profit of RMB314.0 million, representing increases of 11.7% and 17.6% respectively compared to the same period of the previous year. Profit for the year, excluding certain non-recurring items was RMB322.9 million, representing an increase of 27.0% as compared to the same period of last year.

3D-printed Products

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

As of 31 December 2020, the Group held a total of three Class III medical device registration certificates for 3D printed standardized products, namely for 3D-printed hip replacement implants, 3D-printed artificial vertebral bodies and 3D-printed interbody cages. The Group also held two Class III medical device registration certificates for 3D printed customized products, namely 3D-printed pelvis implants and 3D-printed customized cervical fusion. In total, the Group has filed 20 3D-printed customized products with local drug regulatory departments.

In 2020, the Group's 3D-printed products achieved sales revenue of RMB126.2 million, slightly higher than 2019. This performance was mainly due to the fact that the 3D spinal business was affected by the COVID-19 pandemic, which during the first half of 2020 saw a sharp drop in operations at high-end Class III Level A hospitals. As restrictions eased, these hospitals gradually began to resume operations in the second half of the year. However, restrictions on middle- and low-end hospitals were relatively limited, and these began to resume operations in the second quarter. As the Group's 3D printing products, especially the 3D-printed spinal products, are targeted mainly at Class III Level A hospitals, their sales were more deeply impacted by the pandemic than were traditional products. Excluding the impact of the 3D-printed spinal products and other business, 3D-printed hip still maintained a rapid growth of 21.8%.

In 2020, the Group officially launched 3D printed customized products for complex customized multiple joint surgeries, and especially the complex customized surgery on the half pelvis and even the whole sacrum through pelvic customization. The latter operations can help patients with bone tumors recover function and greatly improve their quality of life. The combination of conventional surgery and customized products helps doctors to operate more simply and conveniently, shorten the operation time, reduce bleeding and control the infection. 3D-printed customised products have also further enhanced the impact of the AK brand in the end market.

In 2020, the Group continued to promote 3D Accurate Construction Technology ("**3D ACT**") to provide personalised customer services. For the year ended 31 December 2020, the platform covered 1,032 hospitals, 68 more than in 2019. The platform has assisted doctors in designing 6,157 surgical solutions, 1,415 cases more than in 2019. The platform's accumulation of surgical solutions will help the Group better understand various diseases and develop suitable prosthesis. Meanwhile, the platform also aided the Group in entering the high-end medical market, and especially Class III Level A hospitals in first- and second-tier cities.

Hip and Knee Products

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

In 2020, the Group continued to provide 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 2020, the Group's hip and knee products delivered RMB829.0 million in revenue, representing a year-on-year increase of 7.1%. The slower growth of revenue from the hip and knee products business was mainly attributable to a decreased number of operations in hospitals caused by the COVID-19 pandemic. Despite the decline in revenue growth, the market share of the Group's joint products in Chinese market further improved, leveraging on a rich product line and good market reputation.

Spinal and Trauma Implants

With the completion of the acquisition of Beijing Libeier Bio-engineering Institute Co., Ltd.* (北京理貝爾生物工程研究所有限公司) ("**Libeier**") on 24 April 2020, the Group further replenished its orthopedic portfolio with spinal and trauma implants products. Libeier had a complete spinal and trauma implants product line and 15 Class III registration certificates approved by the National Medical Products Administration (the "**NMPA**"). After its acquisition, the Group made technical improvements based on its original registration certificates and quickly launched five new spinal products and four new trauma products, enriching the Libeier product portfolio and improving the product price system. Further, the Group leveraged on the brand's good reputation and product features to expand Libeier market channels. As of 31 December 2020, spinal and trauma implant products under the Libeier brand covered more than 1,000 hospitals, one-third of which were Class III Level A hospitals. In 2020, the Group's spinal and trauma implants products delivered RMB51.8 million in revenue.

Research and Development

As a company mainly driven by research and development ("**R&D**"), the Group continues to strengthen its investment and improve capabilities in this area.

In 2020, the Group obtained the first two registration certificates for 3D printed customized products approved by the NMPA, in China, being the 3D-printed pelvis implants and 3D-printed customized cervical fusion. The approval of these products facilitates the Group's commercialization of products for difficult and complicated surgeries and further consolidates its leadership in 3D printing technology. The Group obtained CE Full Quality Assurance System Certification for its hip and knee systems and 3D-printed interbody cage. The obtaining of CE Certification for orthopedic products of the Company has signified that its hip, knee and spinal products are allowed to be sold in the European market and will contribute to the registration of certain products in non-European countries.

In 2020, we streamlined the Group's internal R&D system, established internal R&D operational and information management systems, designed an online management and internal audit system for the progress of R&D projects, and improved the efficiency of R&D work. In the third quarter, the Company obtained the qualifications of "specialised, sophisticated, special and new" enterprise of Beijing and "little giant" enterprise of MIIT.

* *For identification purpose only*

For the year ending 31 December 2020, AK Medical brand held a total of 36 registration certificates for Class III medical devices approved by the NMPA, five CE certifications approved by European regulators, and one US FDA certification. The ITI brand held a total of seven Class III medical device registration certificates for hip and knee joint implants. The Libeier brand held a total of fifteen Class III medical device registration certificates for spinal and trauma implant products. The JRI brand held nine CE certifications approved by European regulators, 16 Anvisa certifications approved by Brazilian regulators, one US FDA certification, and two registration certificates for Class III medical devices approved by the NMPA. The number of patents obtained by the Group also continues to grow. As of 31 December 2020, the Group had obtained a total of 87 invention patents, 300 utility patents and eight patents granted under PCT, demonstrating its innovative R&D capabilities.

Sales and Marketing

In 2020, the Group's marketing activities were affected by the COVID-19 pandemic. During the first half of the year, the Group quickly shifted a portion of its marketing and training activities online, where it trained more than 30,000 surgeons. The Group also used idle time created by the pandemic to provide frequent large-scale training activities for distributors and internal employees. In the second half of 2020, as hospitals resumed normal operation, the Group continued its efforts to explore new sales channels and enter more major hospitals.

In 2020, the Group stepped up the marketing of revision products and promoted the application of new products such as HDR and AHK in revision and complex surgeries. These actions helped to establish the image of AK Medical as a revision leader while enhancing the Company's position in the revision market.

In 2020, volume-based procurement for orthopedic consumables was implemented nationwide. In response, the Company established a bidding analysis database to conduct specific analysis on the data of various product lines and the Company's competitive products. A management mode of advance communication, in-process analysis and subsequent adjustment was also established as an aid to effective decision-making. As of 31 December 2020, the tender process for volume-based procurement had been completed in seven provinces, and the results have been implemented in four provinces. The Company employed bidding strategies adjusted in consideration to different regions' product lines, the Company's local market shares and the local competitive landscape to ensure effective implementation of its sales strategy throughout the country.

Acquisition of Libeier

In the first half of 2020, the Group completed the acquisition of all shares of Libeier with a consideration of US$40,200,000. Libeier is a PRC-based company established under the laws of the PRC with limited liability, mainly engaged in the production, sales and research of orthopedic implants and surgical instruments. Prior to the acquisition, Libeier was wholly-owned by Medtronic China Kanghui Holdings. Libeier is a well-regarded company with considerable professional knowledge and skill in the design, development and manufacture of orthopedic spinal and trauma implants and surgical instruments.

As leadership in China's orthopedic field is a long-term strategic goal of the Group, the acquisition of Libeier furthers its progress toward this aim and will enhance the Group's overall financial performance in the future.

Upon the acquisition of Libeier, the Company established a new board of directors and dispatched a management team to fully integrate Libeier, including its R&D, marketing and sales, with the aim of gradually resuming the brand's business and improving its operational efficiency.

PROSPECTS

Against a backdrop of a rapidly developing medical devices industry, and as a leader in China's orthopedic joint industry, the Group will continue to strengthen its leadership through a series of proactive development strategies, including but not limited to:

1. **Continuously enhancing core competitiveness and committing to becoming a global orthopedic innovator**

   As a leading brand in China's orthopedic industry, the Company believes that R&D and innovation are at the core of its competitiveness. The Group will continue to strengthen the application of 3D printing technology in its joint, spine and trauma product pipelines, and introduce 3D printed standardized and customized products to provide personalised solutions for patients. The Group will gradually extend the application of 3D ACT assistant technology for preoperative planning to the field of intelligent devices and surgical robots, further consolidating the Company's leading position in the field of orthopedics.

2. **Closely follow orthopedic industry policy and respond by adjusting corporate strategy**

   In 2019, the PRC government commenced a new round of medical and pharmaceutical system reform. In 2020, this led the NHSA to introduce a series of policies concerning high-value medical consumables which will have a profound influence on the industry landscape and its future development. The next few years may see the NHSA introduce yet more reform policies. To these changes, the Company will respond proactively on the basis of its advantages and characteristics, including but not limited to adjusting the direction of R&D, changing its business model and strengthening cost control, in order to seize the opportunities presented by industry reform.

3. **Keep abreast of innovative technologies and products in the field of orthopedics, expand overseas markets**

The acquisition of Libeier enabled the Company to further enrich its spinal and trauma product portfolios and become an orthopedic platform. In the future, the Group will seek further opportunities in other segments of orthopedics, explore new technologies and products, and constantly enrich its product offerings. At present, the scale of the Company's overseas sales is small. In light of the potential of overseas markets, and especially the orthopedics industry in emerging market countries with rapid growth, the Company intend to leverage on its products' high cost performance advantage to expand its presence and spread the uncertainty risk brought by domestic policies.

FINANCIAL REVIEW

Overview

	Year ended 31 December		
	2020	2019	**Variance**
	RMB'000	*RMB'000*	*%*
Revenue	**1,035,386**	926,705	11.7%
Gross profit	**714,532**	643,251	11.1%
Profit for the year attributable to equity shareholders of the Company	**314,007**	266,992	17.6%
Profit for the year, excluding certain non-recurring items*	**322,855**	254,149	27.0%
Earnings per share			
Basic	**RMB0.28**	RMB0.26	
Diluted	**RMB0.28**	RMB0.25	

* *Certain non-recurring items included impairment loss on goodwill in 2020 and insurance compensation in 2019.*

The Group achieved revenue of RMB1,035.4 million for the year ended 31 December 2020, representing an increase of 11.7% as compared to 2019. The Group sustained revenue growth despite the impact of the pandemic which was mainly attributable to the established brand image of the Company by virtue of its 3D-printing technology and 3D ACT platform, hence effectively promoted the sales of its 3D-printed products and regular hip and knee products. The Group maintained its leading position in the China 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 Group's net profit for the year ended 31 December 2020 also increased by 17.6% compared to 2019 due to the increase in income. The Group made an impairment provision of RMB8.8 million for goodwill formed on the acquisition of JRI at the end of 2020. Excluding the impact of the impairment of goodwill in 2020 and excluding the one-off insurance claim income from JRI in 2019, the Group's net profit for the year ended 31 December 2020 increased significantly by 27.0% as compared to 2019.

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

Revenue

	Year ended 31 December		
	2020	2019	**Variance**
	RMB'000	*RMB'000*	*%*
Hip replacement implants[(1)]	**570,953**	544,418	4.9%
Knee replacement implants	**258,019**	229,728	12.3%
3D-printed products[(2)]	**126,246**	123,433	2.3%
Spinal and trauma implants[(3)]	**51,814**	–	N/A
Third party orthopedic products	**11,055**	13,585	-18.6%
Others[(4)]	**17,299**	15,541	11.3%
Total	**1,035,386**	926,705	11.7%

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) Excluding 3D-printed spinal and trauma implants.

(4) Others primarily include surgical instruments and medical irrigators.

The revenue of the Group amounted to RMB1,035.4 million for the year ended 31 December 2020, representing an increase of 11.7% as compared with RMB926.7 million for the year ended 31 December 2019. The continuous increase in revenue was mainly attributable to the established brand image of the Company by virtue of 3D-printing technology and 3D ACT platform, and the utilization of international clinical education resources for active market expansion, hence effectively promoted the sales of its 3D-printed products and regular hip and knee products. On the other hand, the Group expedited the expansion of its spinal and trauma implants business after the acquisition of Libeier.

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 RMB571.0 million for the year ended 31 December 2020, representing an increase of 4.9% as compared with RMB544.4 million for the year ended 31 December 2019. Such increase was 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. During the same period, the decline of sales revenue in the UK derived from JRI is due to the impact of COVID-19 offsetting the growth in Chinese market partially.

The Group's knee implants recorded revenue of RMB258.0 million for the year ended 31 December 2020, representing an increase of 12.3% as compared with RMB229.7 million for the year ended 31 December 2019. Such increase was mainly attributable to providing total solutions for knee replacement surgery, such as the launch of AHK for complicated surgery, 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 RMB126.2 million for the year ended 31 December 2020, representing an increase of 2.3% as compared with RMB123.4 million for the year ended 31 December 2019. The flat growth is due to the decline in sales of 3D-printed spinal products impacted by COVID-19. The market coverage of the 3D-printed spinal products covered are mainly Class III Level A hospitals, which were more affected by COVID-19 epidemic control. Excluding the impact of the 3D-printed spinal products and other business, the 3D-printed hip products business grew by 21.8% as compared to the same period last year and still maintained significant growth.

Third Party Orthopedic Products

To enrich the Group's product portfolio, the Group also distributed the orthopedic products produced by third parties. In 2020 and 2019, the Group's revenue derived from distributing third party orthopedic products amounted to RMB11.1 million and RMB13.6 million, representing 1.1% and 1.5% 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		
	2020	2019	**Variance**
	RMB'000	*RMB'000*	*%*
China	**932,256**	799,611	16.6%
Other countries	**103,130**	127,094	–18.9%
Total	**1,035,386**	926,705	11.7%

As the overseas market has been affected by the pandemic for a relatively longer duration, the sales revenue derived from the overseas for the year ended 31 December 2020 was RMB103.1 million, representing a decrease of 18.9% as compared to the corresponding period of last year; the revenue from China for the year ended 31 December 2020 was RMB932.3 million, representing an increase of 16.6% as compared to the corresponding period of last year.

Cost of Sales

For the year ended 31 December 2020, the Group's cost of sales was RMB320.9 million, representing an increase of 13.2% as compared with RMB283.5 million for the year ended 31 December 2019. 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 11.1% to RMB714.5 million for the year ended 31 December 2020 from RMB643.3 million for the year ended 31 December 2019. The increase in gross profit was primarily driven by the increase in the Group's overall business scale. Gross margin is calculated as gross profit divided by revenue. The Group's gross margin was 69.0% for the year ended 31 December 2020, representing a slight decrease of 0.4% as compared with 69.4% for the year ended 31 December 2019. The decrease in gross profit margin was mainly due to the relatively lower gross profit margin of Libeier which was acquired in the current year. Excluding the impact of Libeier, the gross margin for the year ended 31 December 2020 was in line with the prior year.

Other Income, net

The Group's other income for the year ended 31 December 2020 was RMB5.3 million, representing a decrease of RMB15.0 million as compared with RMB20.3 million for the year ended 31 December 2019. This is attributable to the fact that other income in 2019 was primarily from the one-off insurance compensation received by JRI.

Selling and Distribution Expenses

Selling and distribution expenses were RMB154.1 million for the year ended 31 December 2020, representing a decrease of 12.1% as compared with RMB175.3 million for the year ended 31 December 2019. The decrease was primarily due to the failure to carry out marketing activities as a result of the pandemic, which led to the corresponding decrease in related expenses such as marketing activity expenses, travelling expenses and sales commission.

General and Administrative Expenses

General and administrative expenses amounted to RMB83.0 million for the year ended 31 December 2020, representing a decrease of 10.0% as compared with RMB92.2 million for the year ended 31 December 2019. The decrease was mainly due to the decrease in share option expenses.

Research and Development Expenses

Research and development expenses for the year ended 31 December 2020 was RMB105.0 million, representing an increase of 30.4% as compared with RMB80.5 million for the year ended 31 December 2019. The increase was mainly due to the increase in labor costs for R&D staff, service fee from external cooperative R&D institutions and R&D materials as a result of the continuous investment in R&D and the proactive promotion of R&D projects of the Group amid the pandemic.

Net Finance Income

Net finance income was RMB7.7 million for the year ended 31 December 2020, representing an increase of RMB1.8 million from RMB5.9 million for the year ended 31 December 2019. Such increase was primarily attributable to the increase in the average balance of capital held by the Company in 2020.

Goodwill Impairment

In 2020, affected by the uncertainty of the pandemic and policies in overseas regions, the goodwill derived from the acquisition of JRI showed signs of impairment. In late 2020, the Group made provision for impairment on goodwill derived from the acquisition of JRI in the amount of RMB8.8 million.

Income Tax Expenses

Income tax expense was RMB62.6 million for the year ended 31 December 2020, representing an increase of 15.1% as compared with RMB54.4 million for the year ended 31 December 2019. Such increase was primarily due to an increase in the Group's profit before tax resulting from its 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 2020 also led to the increase in income tax.

Liquidity and Financial Resources

As at 31 December 2020, the Group had cash and cash equivalents of RMB713.1 million, structured deposit of RMB188.4 million, time deposits over 3 months of RMB49.6 million and import tariff monthly settlement deposit of RMB5.0 million, amounting to RMB956.1 million in aggregate, as compared with RMB498.9 million as at 31 December 2019. 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 RMB1,485.0 million as at 31 December 2020, representing an increase of RMB694.8 million as compared with RMB790.2 million as of 31 December 2019. 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 it is 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 2020, the Group recorded an exchange loss of RMB4.0 million, as compared with an exchange loss of RMB3.6 million for the year ended 31 December 2019. 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 2020, the Group's total capital expenditure amounted to approximately RMB100.3 million, which was primarily used in (i) procurement of equipment, machinery, and software for manufacturing and R&D activities; and (ii) construction of factories.

Charge of Assets/Pledge of Assets

As of 31 December 2020, the Group 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 2020, 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 2020, the gearing ratio of the Group was 0% (as of 31 December 2019: 0.2%).

Contingent Liabilities

As of 31 December 2020, the Group did not have any material contingent liabilities (as of 31 December 2019: Nil).

Significant Investments

As of 31 December 2020, the Group did not hold any significant investments in the equity interests of any other companies, except the acquisition of Libeier.

Future Plans for Material Investments and Capital Assets

As of 31 December 2020, in addition to the construction of Changzhou Facilities as disclosed in the Prospectus, the Group plans to acquire 50 acres of land in the Beijing Changbei base for production and to consolidate leased premises in multiple locations to improve operational and management efficiency and to reduce overall operating costs.

Employee and Remuneration Policy

As of 31 December 2020, the Group had 1,019 employees (31 December 2019: 790 employees). Total staff remuneration expenses including Directors' remuneration for the year ended 31 December 2020 amounted to RMB164.8 million (for the year ended 31 December 2019: RMB156.2 million). The increase in staff remuneration was primary due to the increase in headcounts.

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. During the two years ended 31 December 2018 and 2019, respectively, the net proceeds were used 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" and there was no material change in the use of proceeds. The unutilised amount has been totally used as at 31 December 2020.

The table below sets out the actual use of the net proceeds from the initial public offering of the Company as at 31 December 2020.

	Percentage of total amount	Use of proceeds in the same manner and proportion as stated in the prospectus *(HK$ million)*	Actual use of proceeds as at 31 December 2020 *(HK$ million)*	Balance as at 31 December 2020 *(HK$ million)*
Construction of the Changzhou Facilities, and, to a lesser extent, upgrading the existing facilities in Beijing and acquisition of new equipment for both the Changzhou Facilities and the existing facilities in Beijing	41%	195	195	–
Development and upgrade of the 3D-printed products and PTIP	21%	100	100	–
Other R&D activities	15%	73	73	–
Funding potential acquisitions and developing strategic alliances that could complement the existing product portfolio, technology and business growth	15%	73	73	–
General corporate purposes	8%	36	36	–
Total	100%	477	477	–

Use of Proceeds from placement and top-up subscription

The Group completed a placement and top-up subscription exercise in the first half of 2020. A total of 53,500,000 placing shares were placed at a placing price of HK$15.0 per share to no fewer than six independent placees whose respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

The Group received total net proceeds of approximately HK$783.9 million from the top-up subscription, a portion of which was used for the acquisition of Libeier and as general working capital of the Group. Up to the date of this announcement, the net proceeds had not been fully utilised by the Group. It is expected that the remaining proceeds will be used for strategic acquisition investment (if any) and/or general working capital of the Group.

Subsequent Event

As of date of this announcement , the Group had no materiel events since 31 December 2020.

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 2020 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 Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group'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 2020.

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 had fully complied with the Model Code for transactions in the Company's securities during the year ended 31 December 2020 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 2020 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 2020.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year, save for the acquisition of Libeier, 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 2020 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 Tuesday, 15 June 2021. 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$4.0 cents per ordinary share for the year ended 31 December 2020 (2019: HK$7.5 cents) to the shareholders whose names appear on the register of members of the Company on Wednesday, 23 June 2021. The final dividend, if approved by the shareholders of the Company at the AGM, will be payable on or around Tuesday, 13 July 2021.

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 Tuesday, 15 June 2021, the register of members of the Company will be closed from Wednesday, 9 June 2021 to Tuesday, 15 June 2021, 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, 8 June 2021.

(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, 21 June 2021 to Wednesday, 23 June 2021, 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, 18 June 2021.

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 2020 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, 22 March 2021

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, Dr. Wang David Guowei as non-executive Director, and Mr. Kong Chi Mo, Dr. Li Shu Wing David and Mr. Eric Wang as independent non-executive Directors.