Beijing Airdoc Technology Co., Ltd.
北京鷹瞳科技發展股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2251)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The Board of the Company is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2022, together with the comparative figures for the corresponding period in 2021 as follows. These interim results have been reviewed by the Audit Committee and the Company's auditors, KPMG.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL SUMMARY

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Revenue	**37,407**	49,477
Cost of sales	**(15,336)**	(17,774)
Gross profit	**22,071**	31,703
Loss from operations	**(99,492)**	(37,052)
Loss before taxation	**(99,684)**	(37,154)
Loss for the period	**(99,684)**	(37,490)
Loss per share		
Basic and diluted (RMB)	**(0.98)**	(0.50)

	As of June 30, 2022	As of December 31, 2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Financial Position		
Non-current assets	**51,158**	48,566
Current assets	**1,743,070**	1,845,611
Non-current liabilities	**3,648**	3,420
Current liabilities	**50,786**	70,771
Net assets	**1,739,794**	1,819,986
Total equity attributable to equity shareholders of the Company	**1,739,794**	1,819,986

BUSINESS SUMMARY

- During the Reporting Period, we detected 1,632,753 cases via our SaMDs and health risk assessment solutions.

- During the Reporting Period, we had a monthly average of over 2,300 service sites where our SaMDs and health risk assessment solutions were used day to day.

- During the Reporting Period, the number of our customers increased to 265.

- During the Reporting Period, our Airdoc-AIFUNDUS (1.0) was sold to 41 hospitals and 50 primary healthcare institutions (such as community clinics).

- In January 2022, we received a Class II medical device registration certificate for our cataracts detection SaMD from the Shanghai branch of the NMPA.

- In May 2022, we jointly published a research paper together with Beijing Tongren Eye Center (北京同仁眼科中心) in The JAMA Network Open regarding the performance of deep learning algorithm in detecting and screening multiple retinal diseases, with research results validating the deep learning algorithm's higher sensitivity for detecting retinal abnormality and greater efficiency for assessing retinal images as compared with human retinal specialists.

- In July 2022, we received a Class II medical device registration certificate for our AI-FUNDUSCAMERA-D, a fully automatic and self-service desktop fundus camera, from the Shanghai branch of the NMPA.

- In July 2022, we received the Wu Wen Jun AI Science & Technology Progress Award (吳文俊人工智能科技進步獎), the highest award for intelligent science and technology in China. This was the second time we received such award since 2019, making us the first medical AI company in China who received this award twice.

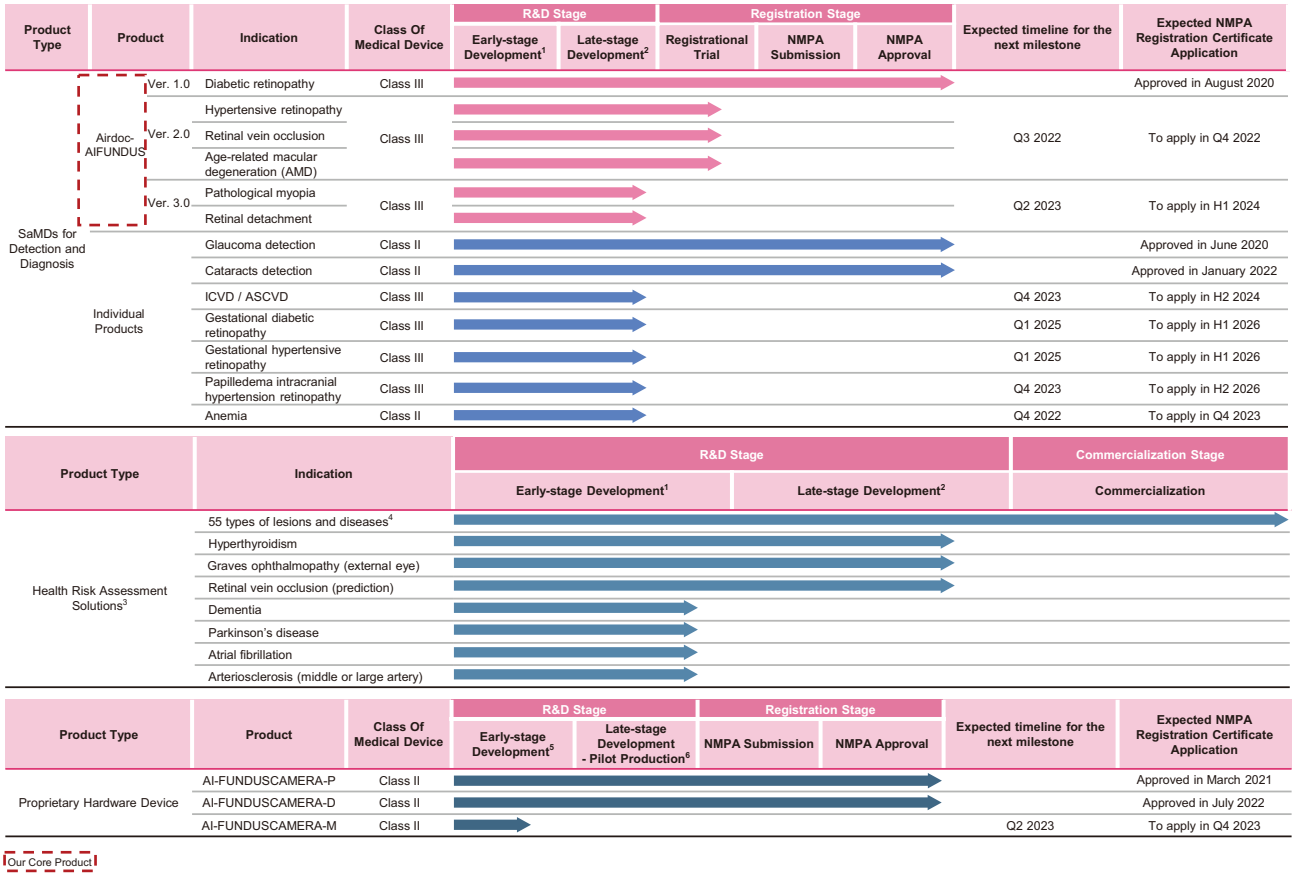
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We are an AI-based medical device company with an advanced platform of AI-empowered retina-based deep learning algorithms. Founded in 2015, we are one of the first to provide AI-empowered retina-based early detection, diagnosis and health risk assessment solutions in China. With the feature of integrated software and hardware solutions, we provide our AI-based SaMDs, health risk assessment solutions and hardware devices to a wide range of healthcare environments, enabling us to commercialize and sell not only to clinical departments in hospitals, but also to other types of medical institutions, various consumer healthcare environments and eye health management settings. With an aim to efficiently penetrating our integrated AI-based software and hardware solutions into these healthcare environments, we developed a multi-faceted sales and marketing strategy by establishing three closely connected business units: Airdoc Medical (鷹瞳醫療), Airdoc Health (鷹瞳健康) and Airdoc Eye Health (鷹瞳眼健康). Leveraging retinal imaging, multimodal data analyses and AI deep learning algorithms, our solutions differ from the traditional early detection and diagnosis method by adopting a non-invasive, accurate, fast, effective and scalable detection and diagnosis of chronic diseases. Our Airdoc-AIFUNDUS (1.0), an AI-based SaMD approved for auxiliary diagnosis of diabetic retinopathy in August 2020, was the first of its kind that obtained the Class III medical device certificate from the NMPA. In the first six months of 2022, we had detected over 1.6 million cases via our SaMDs and health risk assessment solutions.

Our Portfolio

To address the largely unmet medical needs of early detection and diagnosis of chronic diseases, we developed our AI-empowered retina-based early detection, diagnosis and health risk assessment solutions potentially capable of covering a wide range of diseases and lesions. Our portfolio includes SaMDs for detection and diagnosis, health risk assessment solutions and hardware devices, forming an integrated solution of AI-based software and hardware. The following diagram sets forth key details of our portfolio as of the date of this announcement:



Note:

1. Denotes the process of data collection, data labelling and model training.

2. Denotes the process of data supplementation, algorithm training iteration and algorithm validation.

3. No regulatory approval or registration is required for the sales of our health risk assessment solutions in consumer healthcare environments and eye health management settings.

4. During the Reporting Period, we offer health risk assessment solutions with the ability to detect risk indicators, including risk assessments of retinal abnormalities, retinal vascular, vitreous abnormalities, retinal tumors, optic nerve pathologies, macular diseases, congenital anomalies of the retina, cardiovascular disease and anemia.

5. Denotes the process of product planning, product definition, engineering verification and design verification.

6. Denotes the process of production verification.

SaMDs for Detection and Diagnosis

We have Airdoc-AIFUNDUS, our in-house developed Core Product, and a pipeline of seven other in-house developed individual SaMDs in our SaMD portfolio.

Airdoc-AIFUNDUS — Our Core Product

Our Airdoc-AIFUNDUS is an AI-based SaMD that uses sophisticated deep learning algorithms to accurately detect and diagnose chronic diseases from retinal images. We developed Airdoc-AIFUNDUS based on our proprietary AI-empowered retina-based early detection, diagnosis and health risk assessment technology platform, which is driven by deep learning technologies and fully validated in terms of scientific theory, clinical trial data and clinical pathway.

We have three versions of Airdoc-AIFUNDUS. Our Airdoc-AIFUNDUS (1.0) was the first AI-empowered retina-based auxiliary diagnosis product that obtained the Class III medical device certificate from the NMPA for assisting physicians in medical institutions with detecting and diagnosing diabetic retinopathy. In our multi-center clinical trial with 1,000 enrolled patients, our Airdoc-AIFUNDUS (1.0) demonstrated an industry-leading sensitivity of 91.75% and specificity of 93.10%. Moreover, our Airdoc-AIFUNDUS (1.0) is widely compatible with most fundus cameras on the market, which enables us to be well-positioned to capture the significant market opportunity. With diabetic retinopathy being the most common diabetes complication, we have marketed our Airdoc-AIFUNDUS (1.0) to the departments of endocrinology, ophthalmology and physical examination in hospitals.

Airdoc-AIFUNDUS (2.0) is designed for the auxiliary diagnosis of hypertensive retinopathy, retinal vein occlusion and age-related macular degeneration. We are conducting the multi-center clinical trial for our Airdoc-AIFUNDUS (2.0). With the enrollment of clinical trial and analysis of retinal images by Airdoc-AIFUNDUS (2.0) already completed, we are currently at the late stage of clinical trial where statistics are being processed. We plan to apply for a registration approval of new indications with the NMPA in the fourth quarter of 2022 once we complete the entire process of clinical trial by the third quarter of 2022. With the NMPA approval of our Airdoc-AIFUNDUS (2.0) in the future, it has the potential to become the first AI-based auxiliary diagnosis SaMD in China with multiple approved indications. After obtaining the registration approval of new indications, we plan to market our Airdoc-AIFUNDUS (2.0) to the departments of cardiovascular and neurology in addition to the departments in hospitals mentioned above and promote it to patients with high blood pressure or at high risk of retinal vein occlusion.

Airdoc-AIFUNDUS (3.0) is designed for the auxiliary diagnosis of pathological myopia and retinal detachment to address increasing myopia and vision problems in China, especially in younger generations. We plan to commence the clinical trial for our Airdoc-AIFUNDUS (3.0) in October 2022 and begin to enroll subjects in late 2022 and apply for a registration approval of new indications with the NMPA in the first half of 2024.

Glaucoma Detection SaMD

Our glaucoma detection SaMD is used to process and analyze fundus images to detect glaucoma by measuring the CDR of the optic disc. Featuring high accuracy, objectivity and efficiency, our glaucoma detection SaMD allows an editable and traceable analysis process while enabling physicians to rely less on experience and training to generate the CDR in early detection of glaucoma. We received a Class II medical device registration certificate for our glaucoma detection SaMD from the Shanghai branch of the NMPA in June 2020.

Cataracts Detection SaMD

Our cataracts detection SaMD is designed to detect cataracts by measuring the color value of the eye lens. Our cataracts detection SaMD can help ophthalmologists conveniently detect cataracts in a more standardized and scalable way and facilitate the process of grading cataracts in an accurate and objective fashion. We received the Class II medical device registration certificate for our cataracts detection SaMD from the Shanghai branch of the NMPA in January 2022.

Other SaMDs for Detection and Diagnosis

We are developing five other SaMDs designed for the detection and auxiliary diagnosis, covering ICVD and ASCVD, gestational diabetic retinopathy, gestational hypertensive retinopathy, papilledema intracranial hypertension retinopathy and anemia based on our AI-empowered retina-based early detection, diagnosis and health risk assessment technology platform.

Health Risk Assessment Solutions

As chronic disease prevalence in China continues to rise, people's health awareness as well as the need for health risk assessment is also rapidly growing. To capture this massive market opportunity, we develop our AI-empowered retina-based health risk assessment solutions that provide end users with basic health assessment and detect risk indicators, including retinal abnormalities, retinal vascular diseases, vitreous abnormalities, retinal tumors, optic nerve pathologies, macular diseases, congenital anomalies of the retina, cardiovascular diseases and anemia. Targeting a wide range of business settings that act as entry points of daily health monitoring and eye health management, we customize our health risk assessment solutions to cater to their unique needs raised in different healthcare

environments. With our health risk assessment solutions currently covering 55 types of lesions and diseases, we primarily market it to various types of healthcare providers, including health checkup centers, insurance companies, optometry centers and pharmacies. We also plan to expand the coverage of diseases and lesions of our health risk assessment solutions to include hyperthyroidism, graves ophthalmopathy, retinal vein occlusion, dementia, Parkinson's disease, atrial fibrillation and arteriosclerosis, among others.

Proprietary Hardware Devices

We have three in-house developed fundus cameras that are compatible with our auxiliary diagnosis SaMDs and health risk assessment solutions, enabling us to provide integrated healthcare solutions that combine hardware and software. Together with our software products, our hardware devices are powered by on-device AI technologies such as speech recognition, speech synthesis and computer vision and can successfully address pain points of existing fundus cameras on the market at a fraction of the cost.

AI-FUNDUSCAMERA-P

Our AI-FUNDUSCAMERA-P is a portable, automatic and self-service fundus camera that can easily apply to any healthcare environments, which is a breakthrough innovation from existing fundus cameras. Our products are operator-free and can complete the retinal image capture automatically while traditional fundus cameras require professionals to operate. We received a Class II medical device certificate for our AI-FUNDUSCAMERA-P from the Shanghai branch of the NMPA in March 2021 and had commenced commercialization since then.

AI-FUNDUSCAMERA-D

Our AI-FUNDUSCAMERA-D is a fully automatic and fully self-service desktop fundus camera with comparable image quality but significantly lower costs than traditional high-end desktop fundus cameras. Its infrared imaging and low-light enhancement technologies facilitate the capture of high-quality images. We recently received the Class II medical device registration certificate for our AI-FUNDUSCAMERA-D from the Shanghai branch of the NMPA in July 2022. We will start to commercialize our desktop version in various healthcare environments to meet the customer's needs for large-sized fundus cameras.

AI-FUNDUSCAMERA-M

Our AI-FUNDUSCAMERA-M is a multimodal health scanner integrated with more biosensors that enable it not only to capture retinal images but also other physiological data, such as electrocardiograms, blood oxygen and blood pressure. The collection of multimodal physiological data serves as the foundation of our AI-based health risk assessment solutions. We expect to apply for a Class II medical device registration certificate for our AI-FUNDUSCAMERA-M in the fourth quarter of 2023.

WARNING UNDER RULE 18A.08(3) OF THE LISTING RULES: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORE PRODUCT, AIRDOC-AIFUNDUS, OR OUR OTHER PRODUCTS.

R&D

We continue developing AI-empowered retina-based technology to enhance our existing pipeline and to provide comprehensive and multi-faceted high-quality AI-based solutions for chronic disease early detection and diagnosis. We have primarily focused our efforts on developing deep learning algorithms, processing and labeling medical data, developing engineering infrastructures for algorithm training and data analysis, and developing technologies for our hardware devices. As of the date of this announcement, we have developed over 90 deep learning algorithms to cover a comprehensive range of diseases, lesions and health risks.

We are one of the few in the industry that offer solutions that integrate software, algorithms, hardware and services together as one product. While our AI-based SaMDs are compatible with various fundus cameras on the market, we believe that our in-house developed hardware devices powered by on-device AI technologies provide an improved user experience, better algorithm optimization with our software, seamless end-to-end performance and greater cost effectiveness that make us the solution-of-choice to customers. During the Reporting Period, we continued developing new algorithms and optimizing existing ones so as to increase screening efficiency, improve diagnosis accuracy and cover more health risks while reducing cloud computing costs. We streamlined, consolidated and upgraded our AI-based product solutions to better cater to our three business pillars: Airdoc Medical, Airdoc Health and Airdoc Eye Health. In addition, we also upgraded our hardware devices in a comprehensive manner that integrates enhancements from hardware itself, algorithms, software and product solutions. We continue reducing hardware costs while enhancing its performance by optimizing the on-device AI-empowered algorithms rather than purely using high-end sophisticated optical components.

As of the date of the announcement, we had quite a few R&D achievements that will reinforce the foundation for our future growth. For example, in May 2022, we jointly published a research paper together with Beijing Tongren Eye Center (北京同仁眼科中心) in The JAMA Network Open regarding the performance of Retinal Artificial Intelligence Diagnosis System (the "**RAIDS**") in detecting and screening 10 retinal diseases. The results showed that RAIDS achieved a sensitivity of 89.8% to detect any of 10 retinal diseases and differentiated 10 retinal diseases with accuracies ranging from 95.3% to 99.9%. Compared with human retinal specialists, RAIDS showed a higher sensitivity for detecting retinal abnormality and greater efficiency for assessing retinal images. As a result, the AI-based retinal imaging technology not only may help overcome the lack of experienced ophthalmologists in underdeveloped areas, but also is better positioned to serve the needs for large-scale screening. In terms of our product pipeline, we received the Class II medical device registration certificate for our desktop fundus camera AI-FUNDUSCAMERA-D from the Shanghai branch of the NMPA in July 2022. Also in July 2022, we received the Wu Wen Jun AI Science & Technology Progress Award (吳文俊人工智能科技進步獎), the highest award for intelligent science and technology in China, for the second time since 2019. This makes us the first medical AI company in China who received this award twice.

Our R&D team has accumulated substantial industry experience and is the foundation of our success. As of June 30, 2022, our R&D team consisted of 130 members, all of whom hold bachelor's or higher degrees. Our R&D team has deep experience in AI-technologies and medicine with a full spectrum of expertise across deep learning, medicine, computer vision, data analytics, internet service, medical devices, biology and other disciplines. Our R&D team is led by our chief technology officer, Dr. HE Chao, and our chief medical officer, Dr. CHEN Yuzhong.

Manufacturing

To better meet our customers' increasing demands for different types of fundus cameras, we start to prepare ourselves with our own manufacturing capabilities and will shift to manufacture our hardware devices in house going forward. During the Reporting Period, we started to build our own manufacturing facilities, but still engaged OEM service providers to manufacture our hardware devices. We adopted procedures to ensure that the production qualifications, facilities and processes of these OEM service providers comply with the relevant regulatory requirements and our internal guidelines. We selected our OEM service providers by reviewing a number of factors, including their qualification, expertise, technologies and equipment. We had no difficulty engaging OEM service providers during the Reporting Period. With our own manufacturing facilities now in place, we are ready to produce hardware devices by ourselves since the second half of 2022.

We purchase raw materials for the production of our self-developed fundus cameras, such as plastic molds, metal components and PCBA. As of June 30, 2022, such fundus cameras were produced in factories operated by these OEM service providers. Pursuant to our agreements with these OEM service providers, they were responsible for assembling and ensuring the compliance with regulatory standards. We typically will decide whether to accept the supply upon inspecting and examining the products and pay the OEM service providers after the receipt and inspection of products. In general, OEM service providers will provide complimentary after-sales services to us within the warranty periods, except for those whose warranty periods have expired, in which case they may charge a service fee for the cost of their repair services.

Our Commercialization Progress

Our portfolio of AI-empowered retina-based early detection, diagnosis and health risk assessment solutions has potentially broad applications and coverage of a wide range of chronic diseases. Given the wide range of healthcare environments that can use our products, we have developed a flexible and multi-channel sales and marketing strategy to cover various commercialization pathways in medical institutions, consumer healthcare environments and eye health management settings.

During the Reporting Period, the number of our customers increased year-over-year to 265 from 83 in the same period last year. With a monthly average of over 2,300 service sites where our SaMDs and health risk assessment solutions were used by our customers to serve end users day to day, we detected a total number of 1,632,753 cases ("**Uses**") during the Reporting Period, representing a year-over-year decrease of 34.8%. The decrease was primarily due to the restrictions of social activities, such as temporary closure of business and stay-at-home orders, imposed in several cities across China in response to the evolving COVID-19 pandemic. Such containment measures adversely affected the usage of our AI-based software solutions especially through the second quarter of 2022 as some service sites in several cities were temporarily closed. Amidst such environment, however, we also saw that the usage had bottomed out in April and rebounded with a continued growing momentum since then as this round of outbreak was gradually fading.

For our provision of SaMDs or health risk assessment solutions, we charge our customers on a pay-per-use basis based on the actual amount of testing services we provided, or charge our customers a preset fee for a predetermined or unlimited amount of testing services during the subscription period pursuant to the service agreements with our customers. For the Reporting Period, we charged an average of RMB19.3 per Use, which is calculated by dividing our revenue from the provision of AI-based software solutions by the Uses, representing a year-over-year increase of 13.6% from RMB17.0 per Use for the same period last year.

We had established an in-house sales and marketing team of 161 members as of June 30, 2022 to provide our customers with a full life cycle of customized supports. Our sales and marketing team which comprises functions of sales, product solution and customer success covers different geographic regions and different commercialization channels. We provide our sales and marketing personnel with comprehensive training covering our corporate culture, product knowledge, medical theories and marketing system, etc.

Airdoc Medical

Airdoc Medical covers medical institutions which include hospitals, primary healthcare institutions (such as community clinics) and health checkup centers. Aiming to be of great help to eye doctors and address the issue of lack of experienced retinal specialists in underserved regions, our solution for Airdoc Medical primarily serves the clinical needs for detection and auxiliary diagnosis of certain indications with quantitative measurements, such as the total size and number of hemorrhages and exudates. For example, we promote our Airdoc-AIFUNDUS to medical institutions to assist physicians with medical diagnoses and target patients with chronic diseases covered by our Airdoc-AIFUNDUS. In August 2020, we received the Class III medical device registration certificate from the NMPA for our Airdoc-AIFUNDUS (1.0), the SaMD approved for the auxiliary diagnosis of diabetic retinopathy. We have started the commercialization of our Airdoc-AIFUNDUS (1.0) since early 2021.

For our sales to hospitals, we will seek to include our Airdoc-AIFUNDUS (1.0) in the pricing guidance in most provinces in China, upon which hospitals can charge patients separately for such medical service. As of the date of this announcement, the pricing guidance of fundus image analysis in large populations had been issued by local governmental authorities in Hebei, Shandong, Shanxi, Anhui and Jiangsu, pursuant to which our Airdoc-AIFUNDUS can be utilized as a new charging item. We are currently working on assisting several hospitals across multiple provinces to obtain the pricing guidance. Depending on the evolving healthcare-related policies and regulations adopted by various local governments, we may adjust from time to time the strategy in term of in which province we apply for the pricing guidance in order to obtain it as soon as possible. Although our expected applying progress has been adversely affected by the intensified containment measures in response to the development of the COVID-19 pandemic, we managed to assist the hospitals in Beijing and Jilin to apply for the pricing guidance in the first half of 2022. As of the date of this announcement, we are also assisting hospitals in Hubei, Hunan and Jiangxi with the applying. For primary healthcare institutions and health checkup centers, we also market our health risk assessment solutions.

We are dedicated to increasing our penetration in hospitals across the country while expanding our coverage of primary healthcare institutions which represent the majority of medical institutions in China. For the Reporting Period, we had sold our Airdoc-AIFUNDUS (1.0) to 41 hospitals and 50 primary healthcare institutions, with the monthly average number of service sites related to hospitals and primary healthcare institutions increased year-over-year by over 230%. In addition, we also implemented our AI-based solutions in over 160 health checkup centers across China. For the Reporting Period, we recorded revenue of RMB12.6 million from Airdoc Medical and generated revenue of RMB9.5 million from the sales of our Airdoc-AIFUNDUS (1.0).

Airdoc Health

Airdoc Health covers a wide range of consumer healthcare environments, such as insurance companies and pharmacies, to which we offer our health risk assessment solutions that focus on chronic diseases. As the concept of health management is on the rise, more types of business settings have emerged as the entry point of daily health management for specific populations, and they are keen to better serve their end users' specific healthcare needs. This is where we can perfectly fit in. With our solution for Airdoc Health, we empower consumer healthcare environments to provide the AI-enabled assessment of risk factors for chronic diseases and continuous health monitoring, allowing high-quality healthcare accessible in a much wider range of business settings and to a much larger base of end users.

In the business setting of insurance, we assist insurance companies in evaluating the health conditions of their insurance applicants and insured members in an accurate, efficient and continuous manner. For example, we helped one of our insurance customers build health stations at its branch offices where its end customers can take regular health checkups. To explore additional business opportunities in the insurance industry, we are expanding our cooperation with insurance companies from life insurance to more types of insurance, such as health insurance and group insurance. During the Reporting Period, we had provided our solutions to over 40 insurance companies, among which many were top commercial insurance companies. In the business setting of pharmacy, we enable pharmacy chains and pharmaceutical companies to utilize pharmacies as a landing point for various healthcare services and managing chronic diseases in the healthcare ecosystem. During the Reporting Period, our health risk assessment solutions was used by over 700 pharmacies across the country with the monthly average number of service sites increased year-over-year by over 470%. In addition, we continue exploring business opportunities in government well-being projects where we assist local governments with the large-scale screening of chronic diseases. For the Reporting Period, we recorded revenue of RMB17.2 million from Airdoc Health.

Airdoc Eye Health

Airdoc Eye Health covers various eye health management settings, such as optometry centers and government-backed vision screening projects, to which we offer our health risk assessment solutions that focus on retinal conditions and eye diseases. People's eye health awareness in general is being raised along with the development of eye care infrastructure. Myopia control and prevention in particular has become not only a national campaign promoted by the government, but also an activity that parents would prioritize to conduct as their children are facing with more schoolwork. With our solution for Airdoc Eye Health, we address the needs for eye health evaluation as well as myopia control and prevention. For optometry centers, we provide our customers with a comprehensive analysis of their end customers' retinal conditions, enabling them not only to identify risk factors that may lead to impaired vision, but also provide customized professional eyeglasses prescriptions. During the Reporting Period, our solutions had been deployed in over 1,000 optometry centers across China with the monthly average number of service sites increased year-over-year by over 17%. For the Reporting Period, we recorded revenue of RMB7.6 million from Airdoc Eye Health.

Future and Outlook

The COVID-19-related restrictions of social activities had a significant adverse impact on our business operations during the Reporting Period, especially in the second quarter of 2022. Although we managed to further expand our customer base as compared with last year, the temporary closure of service sites experienced by some of our customers and people's reluctance to meet face-to-face under such circumstances still materially reduced the usage of our products and services at offline service sites. On one hand, we have seen the recovery momentum in our Uses as this round of COVID-19 outbreak is receding. But on the other hand, our growth trajectory would still to some extent depend on the evolving situation of the pandemic in the second half of 2022. Despite all challenges, we will further execute our business strategy of multi-faceted commercialization and better cater to different types of customers across Airdoc Medical, Airdoc Health and Airdoc Eye Health, not only to capture market opportunities in various healthcare service settings but to make high-quality healthcare accessible and affordable to everyone. In addition to these three key business pillars that support our business expansion domestically, we will also continue to explore growth opportunities in overseas markets. With initial results achieved in a few countries such as Indonesia, Malaysia and South Africa, we also gained market access in the United States and European Union for our own fundus cameras in late June 2022. Based on the full suite of integrated AI-based software and hardware solution that has established commercialization pathways in China, we aim to increase our global coverage as well in more countries in the years to come.

FINANCIAL REVIEW

Revenue

During the Reporting Period, we primarily generated revenue from three business pillars, which are Airdoc Medical, Airdoc Health and Airdoc Eye Health, by providing customers with our integrated AI-based software and hardware solutions. We offer AI-based software solutions by providing SaMDs to medical institutions and providing health risk assessment solutions to various healthcare providers. Depending on customer needs, we may sell our software as a standalone product, or as a bundle with our proprietary or third-party hardware if those customers who want to buy our software do not own any fundus camera in the first place. We also provided our customers with other services which primarily include procurement services we provided to some of our customers for the third-party hardware devices and software development services we provided to our customers according to their customization requirements.

Our revenue was RMB37.4 million for the six months ended June 30, 2022, compared with RMB49.5 million for the six months ended June 30, 2021. The decrease was primarily due to a decrease in revenue from the provision of AI-based software solutions as a result of a decreasing number of Uses of our SaMDs and health risk assessment solutions amidst the restrictions of social activities in response to the evolving COVID-19 pandemic. The following table sets forth a breakdown of our revenue by customer type for the periods indicated.

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Airdoc Medical	**12,577**	10,349
Airdoc Health	**17,223**	28,673
Airdoc Eye Health	**7,607**	10,455
Total	**37,407**	49,477

Cost of Sales

Our cost of sales primarily consists of (i) depreciation expenses which primarily relate to the depreciation of hardware devices; (ii) hardware devices costs which represent the purchase costs of fundus cameras from third parties that were used with our software; (iii) employee benefits expenses; and (iv) cloud service fees which represent the service fees we paid to cloud service suppliers to support our AI-based software solutions.

Our cost of sales was RMB15.3 million for the six months ended June 30, 2022, compared with RMB17.8 million for the six months ended June 30, 2021. This decrease was generally in line with the decrease in sales of our AI-based software solutions and hardware devices, partially offset by an increase of depreciation expenses incurred as more fundus cameras were manufactured in the second half of 2021 to support our business expansion.

Gross Profit and Gross Profit Margin

Based on the factors described above, the gross profit of the Group was RMB22.1 million for the six months ended June 30, 2022, compared with RMB31.7 million for the six months ended June 30, 2021. Gross profit margin is calculated as gross profit divided by revenue. The overall gross profit margin of the Group was 59.0% for the six months ended June 30, 2022, compared with 64.1% for the six months ended June 30, 2021. The decrease of gross profit margin was primarily due to the disproportion between decreases in revenue and cost of sales as some cost items are fixed costs. For the Reporting Period, the gross profit margin of our AI-based software solutions was 65.5%.

Other Income

Our other income significantly increased to RMB28.6 million for the six months ended June 30, 2022 from RMB4.1 million for the six months ended June 30, 2021, primarily due to a net foreign exchange gain of RMB40.8 million while partially offset by losses incurred from forward exchange contracts.

R&D Expenses

Our R&D expenses primarily consist of (i) employee benefits expenses for our employees involved in R&D; (ii) product development expenses, representing expenses incurred for AI studies, R&D activities, technical services, medical equipment and testing services; (iii) product registration expenses; (iv) depreciation expenses in relation to our R&D equipment and facilities; and (v) others, which primarily include leasing expenses for our R&D facilities, travel expenses, utilities expenses and other general office expenses for R&D activities. The following table sets forth a breakdown of our R&D expenses for the periods indicated.

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Employee benefits expenses	**47,771**	17,324
Product development expenses	**13,549**	3,550
Product registration expenses	**4,451**	887
Depreciation expenses	**2,171**	1,185
Others	**1,631**	1,059
Total	**69,573**	24,005

Our R&D expenses was RMB69.6 million for the six months ended June 30, 2022, compared with RMB24.0 million for the six months ended June 30, 2021. The increase was primarily due to an increase in employee benefits expenses as a result of the expansion of our R&D team, as well as our continuing investment in the fast-growing product pipeline of AI-based software solutions and hardware devices.

Selling Expenses

Our selling expenses primarily consist of employee benefits expenses for our in-house sales and marketing team as well as marketing expenses.

Our selling expenses was RMB48.9 million for the six months ended June 30, 2022, compared with RMB23.6 million for the six months ended June 30, 2021. The increase was primarily due to an increase in employee benefits expense along with the expansion of our sales and marketing team, the additional members of which were mostly recruited in the second half of 2021 to provide customized services and support to different clienteles across various sales channels.

Administrative Expenses

Our administrative expenses mainly consist of employee benefits expenses for our employees involved in administrative and supportive functions as well as professional service expenses.

Our administrative expenses was RMB31.7 million for the six months ended June 30, 2022, compared with RMB25.2 million for the six months ended June 30, 2021. The increase was primarily due to an increase in employee benefits expense resulting from the expansion of our back office team, the additional members of which were mostly recruited in the second half of 2021 to support our growing business.

Income Tax

We recorded income tax of nil for the six months ended June 30, 2022 (June 30, 2021: RMB0.3 million).

Loss for the Period

We recorded a loss of RMB99.7 million for the six months ended June 30, 2022, compared with a loss of RMB37.5 million for the six months ended June 30, 2021.

Property, Plant and Equipment

Our property, plant and equipment primarily consists of (i) hardware devices, representing the fundus cameras which have been deployed or will be deployed at our customers' service sites to be used together with our software; (ii) furniture and others; (iii) right-of-use assets, representing the leasing of our offices; and (iv) leasehold improvement.

Our property, plant and equipment decreased to RMB40.2 million as of June 30, 2022, compared with RMB45.0 million as of December 31, 2021, which was primarily due to an increase in depreciation of our hardware devices.

Inventories

Our inventories primarily consist of raw materials for manufacturing our self-developed fundus cameras and the third-party fundus cameras we purchased for the bundled sales together with our software. We assign specific personnel to regularly monitor our inventories and endeavor to keep an optimal inventory level in line with the expected usages in the near term.

Our inventories increased to RMB11.9 million as of June 30, 2022, compared with RMB7.7 million as of December 31, 2021. The increase was primarily because we procured more third-party fundus cameras for the developing of new customers and purchased more raw materials for the manufacturing of our in-house developed fundus cameras.

Trade Receivables

Our trade receivables increased to RMB43.7 million as of June 30, 2022, compared with RMB34.0 million as of December 31, 2021. The increase was primarily due to a relatively slower payment collection from our customers whose business operations were also adversely affected by the COVID-19 pandemic.

Deposits, Prepayments and Other Receivables

Our deposits, prepayments and other receivables decreased to RMB15.3 million as of June 30, 2022, compared with RMB19.2 million as of December 31, 2021. The decrease was primarily due to a decrease in prepayments to suppliers in relation to the purchase of third-party fundus cameras and marketing services as the fundus cameras were received and services were fulfilled.

Cash and Cash Equivalents

Our cash and cash equivalents decreased to RMB1,421.3 million as of June 30, 2022, compared with RMB1,784.6 million as of December 31, 2021. The decrease was primarily attributable to the initiation of a bank deposit of RMB150.0 million, certain investment made during the Reporting Period and the use of cash in the ordinary course of business.

Trade and Other Payables

Our trade and other payables decreased to RMB30.1 million as of June 30, 2022, compared with RMB48.5 million as of December 31, 2021. The decrease was primarily attributable to a decrease in payables relating to the listing expenses.

Liquidity and Source of Funding

Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

As of June 30, 2022, our current assets were RMB1,743.1 million which mainly includes cash and cash equivalents of RMB1,421.3 million, bank deposits of RMB150.0 million and other financial assets of RMB100.9 million. As of June 30, 2022, our current liabilities were RMB50.8 million which mainly includes trade and other payables of RMB30.1 million and contract liabilities of RMB15.3 million.

Borrowings

As of June 30, 2022, we did not have any bank loans or other borrowings (as of December 31, 2021: nil).

Contract Liabilities

Our contract liabilities represent our obligations to transfer services to our customers as we entered into services agreements with our customers for AI-based software solutions and sales of hardware devices for which we have received advanced payments from such customers under the relevant customer service agreements or work orders.

Our contract liabilities decreased to RMB15.3 million as of June 30, 2022, compared with RMB17.1 million as of December 31, 2021. The decrease was primarily attributable to a decrease in the short-term advances we received from customers for new contracts signed as well as due to the continuing fulfillment of contract obligations as per the contract terms.

Net Current Assets

Our net current assets decreased to RMB1,692.3 million as of June 30, 2022, compared with RMB1,774.8 million as of December 31, 2021.

Gearing Ratio

Gearing ratio is calculated by using interest-bearing borrowings and lease liabilities less cash and cash equivalents, divided by total equity and multiplied by 100%. As of June 30, 2022, the Company was in a net cash position and thus gearing ratio is not applicable.

Treasury Policy

We adopt a prudent financial management approach for our treasury policy to ensure that our liquidity structure comprising assets, liabilities and other commitments is able to always meet our capital requirements.

OTHER INFORMATION

Corporate Governance

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the CG code as its own code of corporate governance. During the six months ended 30 June 2022, save as disclosed herein, the Board is of the view that the Company has complied with all applicable code provisions of the CG code and adopted most of the recommended best practices.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Mr. Zhang is the chairman of the Board, chief executive officer and founder of the Company. With extensive experience in the medical devices industry and having served in the Company since its establishment, Mr. Zhang is in charge of overall management, business and strategic development of the Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer in the same person is beneficial to the business operations and management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises four executive Directors (including Mr. Zhang), two non-executive Directors and three independent non-executive Directors, and therefore has a strong independent element in its composition.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance and assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

Directors' and Supervisors' securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors, Supervisors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors and Supervisors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

Significant Investments, Material Acquisitions and Disposals

During the six months ended June 30, 2022, we did not make any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments or Capital Assets

As of the date of this announcement, we did not have any existing plan for material investments or acquisition of capital assets.

Capital Commitments

As of June 30, 2022, we did not have any significant capital commitments (as of December 31, 2021: nil).

Contingent Liabilities

As of June 30, 2022, we did not have any contingent liabilities.

Pledge on Assets

There were no pledges on the Group's assets as of June 30, 2022 (as of December 31, 2021: nil).

Foreign Exchange Exposure

Our financial statements are expressed in RMB, but certain of our cash and cash equivalents are denominated in foreign currencies, and are exposed to foreign currency risk. As of the date of this announcement, we have established a foreign exchange exposure monitoring policy and will consider hedging against significant foreign exchange exposure of the Group should the need arise.

Employees and Remuneration Policies

As of June 30, 2022, we had 340 full-time employees. The total remuneration cost (share-based compensation included) incurred by the Group for the six months ended June 30, 2022 was RMB102.7 million.

The remuneration package of our employees includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations. For the six months ended June 30, 2022, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

Use of Net Proceeds from Global Offering

The Company's Shares were listed on the Stock Exchange on November 5, 2021. After finalization and the settlement of the listing expenses, including the relevant expenses incurred by work done by professional parties, the finalized net proceeds from the Global Offering amounted to HK$1,550.7 million. Accordingly, the planned applications of the net proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" are adjusted pro rata as set forth in the table below. The planned applications and allocation percentage remained unchanged. As of June 30, 2022, approximately HK$173.9 million of the net proceeds of the Global Offering had been utilized as follows:

Use of proceeds	Planned applications *(HK$ million)*	Percentage of total net proceeds *(%)*	Actual usage for the six months ended June 30, 2022 *(HK$ million)*	Actual usage up to June 30, 2022 *(HK$ million)*	Unutilized net proceeds as of June 30, 2022 *(HK$ million)*	Expected time of full utilization of remaining balance
Optimization, development and commercialization of our Core Product	775.4	50%	122.9	117.7	657.7	2026
Research and development and manufacturing of our hardware devices	294.6	19%	23.7	23.7	270.9	2026
Ongoing and future R&D of our health risk assessment solutions	155.1	10%	11.4	11.4	143.7	2026
Development of our portfolio to diversify our AI-empowered retina-based early detection, diagnosis and health risk assessment solutions	93.0	6%	9.6	9.6	83.4	2024
Collaborations with academic and research institutions on joint research projects	77.5	5%	0.2	0.2	77.3	2024
Working capital and other general corporate purposes	155.1	10%	5.3	11.3	143.8	2024
Total	**1,550.7**	**100%**	**173.2**	**173.9**	**1,376.8**	

Events after the Reporting Period

Save as disclosed herein, there are no important events affecting the Group occurred after the Reporting Period and up to the date of this announcement.

Interim Dividends

The Board does not recommend the payment of interim dividends for the six months ended June 30, 2022 to the Shareholders (June 30, 2021: nil).

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company for the six months ended June 30, 2022.

Review of Financial Statements

The Audit Committee comprises three independent non-executive Directors, namely Mr. NG Kong Ping Albert, Mr. HUANG Yanlin and Mr. WU Yangfeng. Mr. NG Kong Ping Albert, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process. The Audit Committee has reviewed the interim results of the Group for the six months ended June 30, 2022 and has recommended for the Board's approval thereof. The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results and the announcement for the six months ended June 30, 2022) of the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2022 — unaudited
(Expressed in RMB)

		Six months ended 30 June	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**37,407**	49,477
Cost of sales		**(15,336)**	(17,774)
Gross profit		**22,071**	31,703
Other income	*5*	**28,593**	4,063
Research and development expenses		**(69,573)**	(24,005)
Selling expenses		**(48,857)**	(23,602)
Administrative expenses		**(31,726)**	(25,211)
Loss from operations	*6*	**(99,492)**	(37,052)
Finance costs		**(192)**	(102)
Loss before taxation		**(99,684)**	(37,154)
Income tax	*7*	**—**	(336)
Loss for the period		**(99,684)**	(37,490)
Attributable to:			
Equity shareholders of the Company		**(99,684)**	(37,597)
Non-controlling interests		**—**	107
Loss for the period		**(99,684)**	(37,490)
Loss per share	*8*		
Basic and diluted (RMB)		**(0.98)**	(0.50)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2022 — unaudited
(Expressed in RMB)

		Six months ended 30 June	
		2022	2021
	Note	***RMB'000***	*RMB'000*
Loss for the period		**(99,684)**	(37,490)
Other comprehensive income for the period, net of nil tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the PRC		**(76)**	42
Other comprehensive income for the period		**(76)**	42
Total comprehensive income for the period		**(99,760)**	(37,448)
Attributable to:			
Equity shareholders of the Company		**(99,760)**	(37,555)
Non-controlling interests		**—**	107
Total comprehensive income for the period		**(99,760)**	(37,448)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 — unaudited
(Expressed in RMB)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment		**40,185**	44,959
Other financial assets		**3,607**	3,607
Prepayments		**7,366**	—
		51,158	48,566
Current assets			
Inventories		**11,867**	7,683
Trade receivables	*9*	**43,714**	34,043
Deposits, prepayments and other receivables		**15,320**	19,237
Other financial assets		**100,888**	—
Bank deposits	*10*	**150,000**	—
Cash and cash equivalents	*10*	**1,421,281**	1,784,648
		1,743,070	1,845,611
Current liabilities			
Trade and other payables	*11*	**30,120**	48,538
Contract liabilities		**15,347**	17,078
Lease liabilities		**4,939**	4,775
Current taxation		**380**	380
		50,786	70,771
Net current assets		**1,692,284**	1,774,840
Total assets less current liabilities		**1,743,442**	1,823,406

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Non-current liabilities			
Lease liabilities		**3,648**	3,420
		3,648	3,420
Net assets		**1,739,794**	1,819,986
Capital and reserves			
Share capital		**101,248**	101,248
Reserves		**1,638,546**	1,718,738
Total equity		**1,739,794**	1,819,986

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022 — unaudited
(Expressed in RMB)

	Share capital *RMB'000*	Share premium *RMB'000*	Exchange reserve *RMB'000*	Fair value reserve (non-recycling) *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2022	**101,248**	**1,827,965**	**330**	**1,607**	**54,394**	**(165,558)**	**1,819,986**
Changes in equity for the six months ended 30 June 2022:							
Loss for the period	**—**	**—**	**—**	**—**	**—**	**(99,684)**	**(99,684)**
Other comprehensive income	**—**	**—**	**(76)**	**—**	**—**	**—**	**(76)**
Total comprehensive income	**—**	**—**	**(76)**	**—**	**—**	**(99,684)**	**(99,760)**
Contributions from shareholders	**—**	**—**	**—**	**—**	**2,320**	**—**	**2,320**
Equity-settled share-based transactions	**—**	**—**	**—**	**—**	**17,248**	**—**	**17,248**
At 30 June 2022	**101,248**	**1,827,965**	**254**	**1,607**	**73,962**	**(265,242)**	**1,739,794**

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Exchange reserve *RMB'000*	Fair value reserve (non-recycling) *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2021	75,000	330,345	275	1,607	23,909	(22,924)	408,212	238	408,450
Changes in equity for the six months ended 30 June 2021:									
Loss for the period	—	—	—	—	—	(37,597)	(37,597)	107	(37,490)
Other comprehensive income	—	—	42	—	—	—	42	—	42
Total comprehensive income	—	—	42	—	—	(37,597)	(37,555)	107	(37,448)
Issuance of ordinary shares	3,981	234,818	—	—	—	—	238,799	—	238,799
Contributions from shareholders	—	—	—	—	21,672	—	21,672	—	21,672
Acquisition of non-controlling interests	—	—	—	—	345	—	345	(345)	—
At 30 June 2021	78,981	565,163	317	1,607	45,926	(60,521)	631,473	—	631,473

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2022 — unaudited
(Expressed in RMB)

	Note	Six months ended 30 June 2022 RMB'000	2021 RMB'000
Operating activities			
Cash used in operations		**(119,440)**	(39,452)
Tax paid		**—**	(2)
Net cash used in operating activities		**(119,440)**	(39,454)
Investing activities			
Payment for the purchase of property, plant and equipment		**(7,239)**	(13,765)
Prepayment for purchase of other long-term assets		**(4,500)**	—
Redemption of other financial assets		**1,068,537**	550,000
Payment for purchase of other financial assets		**(1,161,876)**	(550,000)
Placement of bank deposits with original maturity over three months		**(150,000)**	—
Other cash flows arising from investing activities		**4,846**	3,123
Net cash used in investing activities		**(100,232)**	(10,642)
Financing activities			
Capital contributions received form equity shareholders of the Company		**2,320**	260,471
Other cash flows arising from financing activities		**(2,834)**	(9,622)
Net cash (used in)/generated from financing activities		**(514)**	250,849
Net (decrease)/increase in cash and cash equivalents		**(370,186)**	200,753
Cash and cash equivalents at 1 January		**1,784,648**	374,698
Effect of foreign exchange rate changes		**6,819**	(166)
Cash and cash equivalents at 30 June	*10*	**1,421,281**	575,285

NOTES:
(Expressed in RMB)

1 General Information

Beijing Airdoc Technology Co., Ltd. (北京鷹瞳科技發展股份有限公司) (the "**Company**") was established as a limited liability company in the People's Republic of China (the "**PRC**") on 9 September 2015 and converted into a joint stock limited liability company on 28 December 2020.

The Company and its subsidiaries (together, "**the Group**") are primarily focusing on providing AI-empowered retina-based early detection, diagnosis and health risk assessment solutions. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 November 2021.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on 25 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

3 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Onerous Contracts — Costs of Fulfilling a Contract*

These amendments have had no material effect on how to the Group's results and financial position for the current period have been prepared or presented in the interim financial report.

4 Revenue and segment reporting

(a) Revenue

The Company derives revenue principally from the provision of AI-based software solutions, sales of hardware devices and other services.

Disaggregation of revenue from contracts with customers within the scope of IFRS 15 by customer type, product type, geographical location of customers and timing of recognition is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Disaggregated by customer type		
Medical institutions (Airdoc Medical)	**12,577**	10,349
Consumer healthcare environments (Airdoc Health)	**17,223**	28,673
Eye health management settings (Airdoc Eye Health)	**7,607**	10,455
	37,407	49,477
Disaggregated by major product type		
Provision of AI-based software solutions	**31,525**	42,600
Sales of hardware devices	**5,703**	6,001
Other services	**179**	876
	37,407	49,477
Disaggregated by geographical location of customers		
Mainland China	**36,926**	49,322
Others	**481**	155
	37,407	49,477
Disaggregated by timing of revenue recognition		
Point in time	**17,185**	24,727
Over time	**20,222**	24,750
	37,407	49,477

(b) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on information that is regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment during the interim period.

5 Other income

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Net foreign exchange loss	**40,848**	(208)
Investment income from wealth management products	**7,549**	3,110
Interest income from bank deposits	**2,156**	1,119
Government grants	**217**	98
Net loss on disposal of property and equipment	**11**	(56)
Losses from forward exchange contracts	**(22,188)**	—
	28,593	4,063

The losses on forward exchange contracts arise from the difference between the contract rate and the exchange rate on the settlement dates.

6 Loss before taxation

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**192**	102

(b) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Depreciation charge	**10,897**	6,609
Impairment losses/(reversal of impairment losses)		
— trade receivables	**707**	820
— other receivables	**11**	(117)
Listing expense	**—**	2,820
Cost of inventories sold	**4,456**	5,221
Staff costs		
— salaries, wages and other benefits	**85,441**	41,092
— share-based payment	**17,248**	—

7 Income tax

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current tax — PRC Enterprise Income Tax ("EIT")		
Provision for the period	**—**	336

(i) The PRC statutory income tax rate is 25% to the six months ended 30 June 2022 under the EIT Law. The Group entities in the PRC are subject to PRC income tax at 25% unless otherwise specified.

(ii) According to the PRC Income Tax Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. Two subsidiaries were recognised as high-technology enterprise and are subject to income tax at 15%.

(iii) Effective from 1 January 2018 to 31 December 2023, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC Income Tax Law and its relevant regulations.

(iv) According to the PRC income tax law and its relevant regulations issued in 2019, two entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000).

Taxation for subsidiaries in other tax jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

8 Loss per share

The calculation of the basic loss per share is based on the loss for the period attributable to ordinary equity shareholders of the Company of RMB99,684,000 (six months ended 30 June 2021: loss of RMB37,597,000) and the weighted average of 101,248,000 ordinary shares in issue during the interim period (six months ended 30 June 2021: 75,902,000 shares).

There were no potential dilutive ordinary shares for the period ended 30 June 2022 and 2021, and therefore dilutive loss per share are the same as the basic loss per share.

9 Trade receivables

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
Receivables from third parties	**44,989**	34,693
Receivables from related parties	**522**	440
Less: loss allowance	**(1,797)**	(1,090)
Trade receivables, net	**43,714**	34,043

All of the trade receivables are expected to be recovered within one year.

Ageing analyses

The ageing analyses of trade receivables, based on the invoice date and net of loss allowance, are as follows:

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
Within 6 months	**28,772**	33,174
6 to 12 months	**14,942**	869
	43,714	34,043

Trade receivables are generally due within 60 to 120 days from the date of billing.

10 Cash and cash equivalents

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
Cash at bank	**1,571,281**	1,784,648
Less: Fixed deposits with initial maturity of more than three months	**150,000**	—
Cash and cash equivalents	**1,421,281**	1,784,648

11 Trade and other payables

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Trade payables	**3,245**	5,711
Accrued payroll	**13,586**	14,843
Other payables and accrued charges:		
— receipt in advance as an agent	**724**	648
— listing expenses payable	**1,768**	14,798
— other taxes payable	**5,568**	4,850
— others	**5,229**	7,688
	30,120	48,538

All of the above balances classified as current liabilities are expected to be settled within one year.

As at 30 June 2022 and 31 December 2021, the ageing analysis of trade payables presented based on the invoice date is as follows:

	At 30 June 2022 *RMB'000*	At 31 December 2021 *RMB'000*
Within 6 months	**3,245**	5,711

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.airdoc.com**). The interim report of the Company for the six months ended June 30, 2022 containing all the information in accordance with the requirements under the Listing Rules, will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"AI"	artificial intelligence
"Airdoc", "Group", "we" or "us"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Airdoc Universe"	Beijing Airdoc Universe Technology Center L.P.* (北京鬱金香宇宙科技中心(有限合夥)), a limited partnership established in the PRC on February 22, 2016 and an employee incentive platform of our Group
"ASCVD"	atherosclerotic cardiovascular disease
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of our Company
"CDR"	cup to disc ratio, a measurement used in ophthalmology and optometry to assess the progression of glaucoma
"China" or "the PRC"	the People's Republic of China but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Class II medical device"	medical devices with moderate risks, which shall be strictly controlled and administered to ensure their safety and effectiveness under the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)
"Class III medical device"	medical devices with relatively high risks, which shall be strictly controlled and administered through special measures to ensure their safety and effectiveness under the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)
"Co-Founders"	Mr. Gao and Mr. Chen
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	Beijing Airdoc Technology Co., Ltd. (北京鷹瞳科技發展股份有限公司), a joint stock company incorporated in the PRC with limited liability on September 9, 2015
"Core Product(s)"	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this prospectus, our Core Product refers to our Airdoc-AIFUNDUS
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
"Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"Domestic Share(s)"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by domestic investors
"Founder"	Mr. Zhang
"Global Offering"	the Hong Kong Public Offering and the International Offering

"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are to be listed on the Stock Exchange and traded in Hong Kong dollars
"ICVD"	ischemic cardiovascular disease, including myocardial infarction and cerebral infarction
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Chen"	Mr. Chen Mingqiang (陳明强), one of our Co-Founders and a member of the Single Largest Group of Shareholders
"Mr. Gao"	Mr. Gao Fei (高斐), one of our Co-Founders, an executive Director and a member of the Single Largest Group of Shareholders
"Mr. Zhang"	Mr. Zhang Dalei (張大磊), our Founder, the chairman of the Board, an executive Director and a member of the Single Largest Group of Shareholders
"NMPA"	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
"OEM"	acronym for original equipment manufacturer, a business that manufactures goods or equipment for branding and release by others
"pricing guidance"	a guidance issued by governmental authorities, which is a pre-requisite for the public hospitals to set specific charging items for medical service and charge patients accordingly

"Prospectus"	the prospectus issued by the Company dated October 26, 2021
"Reporting Period"	the six months ended June 30, 2022
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"R&D"	Research and Development
"SaMD(s)"	Software as a Medical Device, a class of medical software designed to carry out one or more medical functions without the need for actual hardware
"Share(s)"	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising Domestic Shares, Unlisted Foreign Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Single Largest Group of Shareholders"	refers to Mr. Zhang, Mr. Chen, Mr. Gao and Airdoc Universe, details of which are set out in the section headed "Relationship with our Single Largest Group of Shareholders" in the Prospectus
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	supervisor(s) of our Company
"Unlisted Foreign Share(s)"	unlisted ordinary Share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for in a currency other than RMB

For the purpose of this announcement, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level, autonomous regions.

By order of the Board
Beijing Airdoc Technology Co., Ltd.
Mr. ZHANG Dalei
Chairman of the Board

Hong Kong, August 25, 2022

As of the date of this announcement, the Board comprises Mr. ZHANG Dalei, Mr. GAO Fei, Dr. CHEN Yuzhong and Mr. CHEN Hailong as executive Directors; Mr. CHEN Xin and Ms. WANG Mi as non-executive Directors; and Mr. NG Kong Ping Albert, Mr. WU Yangfeng and Mr. HUANG Yanlin as independent non-executive Directors.