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, 2023

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, 2023, together with the comparative figures for the corresponding period in 2022 as follows. These interim results have been reviewed by the Audit Committee and the Company's auditors, Ernst & Young.

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,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue	**82,502**	37,407
Cost of sales	**(31,138)**	(15,336)
Gross profit	**51,364**	22,071
Loss before tax	**(40,529)**	(99,684)
Loss for the period	**(41,017)**	(99,684)
Loss per share		
Basic and diluted (RMB)	**(0.36)**	(0.98)

	As of	
	June 30,	As of
	2023	December 31,
	(Unaudited)	2022
	RMB'000	(Audited)
		RMB'000
Financial Position		
Non-current assets	**364,668**	64,137
Current assets	**1,408,821**	1,675,818
Non-current liabilities	**18,178**	3,928
Current liabilities	**90,262**	64,665
Net assets	**1,665,049**	1,671,362
Total equity attributable to equity shareholders of the Company	**1,639,178**	1,666,125
Non-controlling interests	**25,871**	5,237

BUSINESS SUMMARY

- During the Reporting Period, we detected 2.96 million cases via our SaMDs and health risk assessment solutions.
- During the Reporting Period, there were 3,331 service sites where our SaMDs and health risk assessment solutions were used day to day.
- During the Reporting Period, our Airdoc-AIFUNDUS (1.0) was sold to 143 hospitals and 525 primary healthcare institutions (such as community clinics).
- In April 2023, we won two "Special Commendation Golden Awards" at the Salon International des Inventions de Genève.

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. 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.

In the first half of 2023, we upheld the mission of "Accessible and Affordable to Everyone" and had been committed to diligently advancing our business expansion. With our continued efforts to boost sales, our revenue increased by 120.6% from RMB37.4 million for the six months ended June 30, 2022 to RMB82.5 million for the six months ended June 30, 2023. This growth was driven by the improved performance of our three main business pillars, namely, Airdoc Medical (鷹瞳醫療), Airdoc Health (鷹瞳健康) and Airdoc Eye Health (鷹瞳眼健康). For the period ended June 30, 2023, each of our business pillars saw a year-over-year revenue growth: (i) revenue from Airdoc Medical increased by 137.3% from RMB12.6 million to RMB29.8 million, (ii) revenue from Airdoc Health increased by 26.0% from RMB17.2 million to RMB21.7 million, and (iii) revenue from Airdoc Eye Health increased by 307% from RMB7.6 million to RMB31.0 million, which is primarily attributable to the continual expansion of our main business into hospital and primary healthcare institutions, as well as our persistent efforts in promoting integration of diagnosis and treatment and strategically extending our products and services to post-diagnostic treatment and care. In the first six months of 2023, we had detected 2.96 million cases ("**Uses**") via our SaMDs and health risk assessment solutions, representing a year-over-year increase of 81.2%.

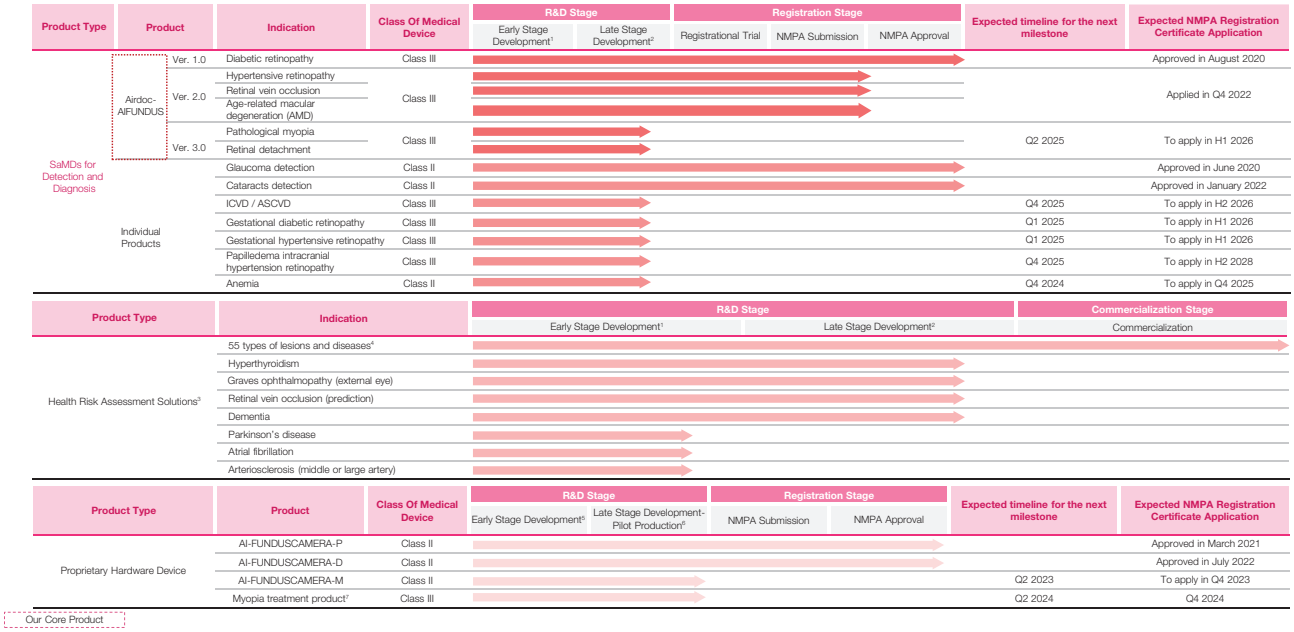
Our newly-established production factory in Changsha had commenced operations, achieving in-house hardware production, economies of scale and effective cost control. Through our continued cost reduction efforts, our gross profit margin increased from 59.0% for the six months ended June 30, 2022 to 62.3% for the six months ended June 30, 2023. As a result of the aforesaid endeavors, our loss significantly narrowed from RMB99.7 million for the six months ended June 30, 2022 to RMB41.0 million for the six months ended June 30, 2023.

Our AI-FUNDUSCAMERA-P and myopia treatment product won the "Special Commendation Golden Awards" at the Salon International des Inventions de Genève in April 2023. Such global recognition validates our products' wide acceptance among invention professionals worldwide. Our products have received recognition from several renowned medical journals, such as The Lancet, which showed that (i) our retinal imaging is able to identify 14 types of abnormalities, and (ii) our AI algorithm is able to achieve a high AUC between 0.95 and 0.98 for these abnormalities. Science Bulletin, another renowned medical journal, showed that AI algorithm is able to identify the risk of ICVD non-invasively, quickly and conveniently, achieving AUC of 0.97. An expert of Beijing Tongren Hospital suggested that fundus detection should be vastly used as a basic tool for pre-scanning the health condition of all citizens. Additionally, our fundus camera and automated method for fundus imaging was honored with the Excellence Award at the 24th China Patent Awards. Our fundus camera generates different types of reports tailored to our users' needs, with the premium version capable of pre-screening up to nearly 50 types of diseases and lesions.

We plan to launch, in order of the detection rate, our in-house developed treatment and control solutions that are compatible with external treatment plans, so as to achieve the integration of diagnosis and treatment, which marks the next chapter in our business development. We have already taken the first step and launched a product for treating myopia with appearance of tessellated retina, which ranks the first in the positive detection rate. This product won the highest award in the Geneva International Invention Patent. During the Reporting Period, we empowered the traditional treatments for strabismus and amblyopia by using our AI technologies and developed a myopia and amblyopia treatment product that are increasingly recognized by professional doctors and customers. Furthermore, the business of Airdoc Eye Health is facing strengthened regulatory supervision this year that may lead to a decrease in the number of competitors in a market with tremendous unmet demand, which, in the long run, will be a major benefit to a company like ours that has more advanced R&D capabilities than the peers.

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:



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 diseases, 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.

7. The first generation of our myopia treatment product has obtained a Class II medical device registration certificate and has entered the commercialization stage.

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 registration 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 AMD. Upon completion of the entire process of clinical trial in the third quarter of 2022, we have applied to the NMPA for registration approval for the new indications in the fourth quarter of 2022. Our Airdoc-AIFUNDUS (2.0) has the potential to become the first AI-based auxiliary diagnosis SaMD in China that is expended with multiple indications approved. After obtaining the registration approval of new indications, we plan to market our Airdoc-AIFUNDUS (2.0) to the departments of cardiology 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 the increasing myopia and vision problems in China, especially in younger generations.

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 a 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 market it to various types of healthcare providers, which primarily include 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. In addition, we also launched a myopia control device loaded with our AI algorithm for dynamic real-time tracking. The device irradiates the fundus with repeated low-intensity light, increases the thickness of the choroid, and inhibits the excessive growth of the eye axis, thereby controlling the progression of myopia.

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 from the Shanghai branch of the NMPA for our AI-FUNDUSCAMERA-P 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 received the Class II medical device registration certificate for our AI-FUNDUSCAMERA-D from the Shanghai branch of the NMPA in July 2022. We kick-started the commercialization of 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 are in the process of applying the license for this product and are expected to obtain the approval by the end 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.

Our R&D and Technologies

According to the latest "China Cardiovascular Health and Disease Report in 2022", cardiovascular disease is the "number one killer" in China, accounting for 48% of fatalities in urban area. In other words, roughly 2 out of every 5 deaths are caused by cardiovascular disease. Traditional diagnosis methods for ICVD start with the collection of data such as blood pressure, blood lipids and body mass index, which are then analyzed using regression models to assess cardiac conditions. However, this process can be time-consuming. The use of fundus imaging combined with AI algorithm would expedite results, offering a quick, non-intrusive convenient and cost-efficient alternative.

In 2023, China's national population growth rate declined by 0.6%, indicating an accelerating trend towards an aging population. In response, we are allocating more resources to the identification of aging-associated diseases. We have partnered with Peking University Clinical Research Institute (北京大學臨床研究所) and the Second Medical Center of PLA General Hospital (解放軍總醫院第二醫學中心) to explore the possibilities of early detection of dementia. Utilizing our AI-empowered fundus camera, dementia can be easily detected in a quicker, non-invasive, convenient and cost-effective manner. The commercialization of this technology brings our products an opportunity to reach a larger community. Early detection will help to lower the medical costs and alleviate the social burden.

With evolution of technology and the rising popularity of online learning in recent years, children are spending more time on mobile devices. This trend has led to an earlier onset of myopia among adolescence and children and therefore we focus more on preventing and controlling myopia among them. By allocating resources to R&D in these two areas leveraging our AI-empowered optical technologies, we initiated the commercialization of two new products in 2023. We stayed tuned to large language model (LLM) technologies and put significant R&D efforts in this area to enhance our existing pipeline and to integrate comprehensive AI-based treatment solutions to our exisitng diagnosis technologies. This advancement represents the next phase of our strategy, extending our products and services from diagnosis and detection to treatment.

We are also in the process of upgrading AI-FUNDUSCAMERA-M to its new version, which will allow us to incorporate additional modules for diagnosing different types of potential diseases. It is expected to be a new breakthrough for our fundus camera as it will enable us to pre-screen for a broader range of diseases.

In the first half of 2023, we were granted 47 new patents, including 25 inventions, 12 utility models, and 10 appearance designs. To date, we have 190 patents, of which 91 are inventions, 39 are utility models, and 60 are appearance designs, and possess 79 software copyrights.

Commercialization Development

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 scenarios 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 service sites utilizing our SaMDs and health risk assessment solutions increased year-over-year to 3,331 from 2,681. 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. For the Reporting Period, we charged an average of RMB20.87 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 8.1% from RMB19.3 per Use for the same period in 2022.

We had established an in-house sales and marketing team of 103 members as of June 30, 2023 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. In order to facilitate more sales to capture market share, we provide our sales and marketing personnel with comprehensive training covering our corporate culture, product knowledge, medical theories and marketing system, etc.

Production Capability

Cost control and quality assurance have always been crucial to us. Initially, we had only one factory located in Beijing, with the production capacity of approximately 30,000 units per year. In 2022, we commenced to construct our second manufacture facility in the High-tech Development Zone of Changsha, Hunan. Our Changsha factory had passed its final testing and was ready to commence production. We obtained the medical device production license in 2022 and expect to receive ISO9001 and ISO13485 medical device quality management system certification in 2023. Our factory implements the 6S Lean Management System and the ERP production management system, ensuring production efficiency and compliance with all required safety measures. Operated by production professionals, the Changsha factory currently has six production lines manufacturing three types of devices, with an annual production capacity of approximately 100,000 fundus camera per year. With this Changsha factory setup, we are able to enhance cost and quality control, and believe our competitive advantages will continue going forward.

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 our sales to hospitals, we 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 Beijing, 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, including Sichuan, Guangdong, Shaanxi, Jiangxi, Jilin and Yunan to review the pricing mechanism. For primary healthcare institutions and health checkup centers, we also market our health risk assessment solutions as we see strong opportunities there.

We are dedicated to increasing our penetration in hospitals across the country while expanding our coverage of primary healthcare institutions which represents a big portion of medical institutions in China. During the Reporting Period, we sold our Airdoc-AIFUNDUS (1.0) to 143 hospitals and 525 primary healthcare institutions. In addition, we also implemented our AI-based solutions in over 210 health checkup centers across China. For the first six months of 2023, we recorded revenue of RMB29.8 million from Airdoc Medical through the sales of our Airdoc-AIFUNDUS (1.0) retina camera.

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. 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. During the Reporting Period, we had provided our solutions to top commercial insurance companies such as Taikang Life Insurance Company Limited, Ping An Insurance Group Co of China Ltd., China Life Insurance Company Limited and New China Life Insurance Co., Ltd. For the Reporting Period, we recorded revenue of RMB21.7 million from Airdoc Health.

Airdoc Eye Health

Airdoc Eye Health covers various eye health management settings, such as optometry centers and government sponsored vision screening projects, to which we offer our health risk assessment solutions that focus on retinal conditions and eye diseases. 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 screentime from the extensive use of mobile devices. Through our solution of Airdoc Eye Health, we are keen to address the needs for eye health evaluation as well as myopia control and prevention for the young generation. We plan to launch AI-generated solutions for adolescents, combining big data with our myopia control device to predict myopia conditions and recommend treatment plans. This initiative aligns with our one stop strategy from detection to treatment. 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 were deployed in over 1,250 optometry centers across China through our effective distributors. The number of service sites covered was 1,371 increased year-over-year by over 34.7%. For the Reporting Period, we recorded revenue of RMB31.0 million from Airdoc Eye Health strategy. This new business division is expected to create synergies and additional value and benefit our overall business operations in the long run.

Future and Outlook

In 2023, we target to continue the expansion of our sales channels, aiming for a significant boost in sales growth across Airdoc Medical, Airdoc Health and Airdoc Eye Health. We aim to continue increasing our sales by integrating large language model (LLM) technologies into our main service process. Furthermore, we plan to introduce new business initiatives by combining diagnosis and treatment services for myopia, strabismus and amblyopia, outlining our future strategy. Our products have received both FDA approval and CE Mark certification. We believe our products will be well accepted by overseas markets as a result of our continued efforts to expand our business footprints in other jurisdictions, such as Malaysia, Singapore, Thailand, United Arab Emirates and South Africa. We expect that sales from these new markets will gradually increase in 2023.

Artificial General Intelligence (AGI) is the trend of the moment, with its applications becoming increasingly integrated into everyday life. We intend to leverage AGI by further incorporating it into our products and services. We are actively formulating strategies to introduce AGI in our auxiliary diagnosis, disease detection and personalized medical advices, bridging doctors and patients conveniently and efficiently without constraints of time and space.

With our Changsha factory commencing production, we believe our AIFUNDUSCAMERA-P will gain competitive advantages in terms of cost. The expanded capacity will enable us to massively roll out our AIFUNDUSCAMERA-P into different sales channels. At the same time, we will continue to streamline cost, improve gross profit margins, and minimize loss. Going forward, we will continue committing to enhancing production capacity and launching next-generation products that are "accessible and affordable to everyone".

FINANCIAL REVIEW

Revenue

During the Reporting Period, we primarily generated revenue from provision of AI-based software solutions, which represented our provision of SaMD and health risk assessment solutions to medical institutions and healthcare providers, including hospitals, community clinics, health checkup centers, insurance companies, optometry centers and pharmacies. We also generated revenue from the sales of hardware devices, representing the fundus cameras we sold together with our software. Depending on customer needs, we may sell our software as a standalone product or as a bundle with hardware developed by us or third parties.

Our revenue increased by 120.6% from RMB37.4 million for the six months ended June 30, 2022 to RMB82.5 million for the six months ended June 30, 2023. The increase is primarily attributable to (i) a 137% year-over-year increase in the business of Airdoc Medical, resulting from a growth in coverage of hospitals and primary healthcare institutions; and (ii) the revenue generated from our myopia treatment products.

Cost of Sales

Our cost of sales primarily consists of (i) employee benefits expenses; (ii) hardware devices costs, representing the cost of sales of in-house fundus camera and in-house myopia treatment products, and the purchase cost of fundus cameras from third parties. We provide integrated healthcare solutions that combine hardware and software and do not sell hardware devices separately to our customers; (iii) depreciation expenses primarily relate to the depreciation of hardware devices; and (iv) cloud service fees, representing the service fees we paid to cloud service suppliers to support our AI-based software solutions.

Our cost of sales increased by 103.0% from RMB15.3 million for the six months ended June 30, 2022 to RMB31.1 million for the six months ended June 30, 2023, which is primarily due to (i) increase in sales of our hardware devices and related accessories as we commence mass production for our in-house fundus cameras and myopia treatment products; (ii) an increase in operating expenses as a result of the increase in number of our service sites; and (iii) the increase in the cost of cloud services for higher number of cases we detected during the Reporting Period.

Gross Profit and Gross Profit Margin

Based on the factors described above, the gross profit of the Group increased from RMB22.1 million for the six months ended June 30, 2022 to RMB51.4 million for the six months ended June 30, 2023. Gross profit margin is calculated as gross profit divided by revenue. The overall gross profit margin of the Group increased from 59.0% for the six months ended June 30, 2022 to 62.3% for the six months ended June 30, 2023, primarily attributable to the increase in revenue and the improvement in operational efficiency as well as a substantial increase in gross profit margin of our in-house fundus cameras compared to the ones purchased from third parties.

Other Income and Gains

Our other income and gains increased from RMB28.6 million for the six months ended June 30, 2022 to RMB49.8 million for the six months ended June 30, 2023, primarily attributable to improved returns from treasury management.

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, including 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 summarizes a breakdown of our R&D expenses for the periods indicated.

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Employee benefits expenses	**39,809**	47,771
Product development expenses	**8,529**	13,549
Product registration expenses	**3,175**	4,451
Depreciation expenses	**3,195**	2,171
Others	**1,809**	1,631
Total	**56,517**	69,573

Our R&D expenses decreased by 18.8% from RMB69.6 million for the six months ended June 30, 2022 to RMB56.5 million for the six months ended June 30, 2023, primarily due to the decrease in employee benefits expenses as we continue to streamline corporate operations and prioritize targeted R&D activities.

Selling and Distribution Expenses

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

Our selling and distribution expenses decreased by 9.3% from RMB48.9 million for the six months ended June 30, 2022 to RMB44.3 million for the six months ended June 30, 2023, primarily due to the decrease in employee benefits expenses, meanwhile partially offset by the increase in marketing expenses as a result of our business growth.

Administrative Expenses

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

Our administrative expenses increased by 28.0% from RMB31.7 million for the six months ended June 30, 2022 to RMB40.6 million for the six months ended June 30, 2023, primarily due to the adoption of a new employee equity incentive plan.

Income Tax

We recorded income tax of RMB488,000 for the six months ended June 30, 2023 (June 30, 2022: nil).

Loss for the Period

We recorded a loss of RMB41.0 million for the six months ended June 30, 2023, compared with a loss of RMB99.7 million for the six months ended June 30, 2022. Our loss for the period significantly narrowed by 58.9%, which is mainly attributable to (i) the continuous improvement in our operational efficiency; (ii) the significant increase in our revenue; and (iii) the improvement in the gross profit margin due to enhanced cost control.

Property, Plant and Equipment

Our property, plant and equipment primarily consist of (i) hardware devices, representing fundus cameras which have been deployed or will be deployed at our customers' service site to be used together with our software; (ii) furniture and others; and (iii) leasehold improvement.

Our property, plant and equipment decreased to RMB16.8 million as of June 30, 2023 from RMB24.2 million as of December 31, 2022, which was primarily due to an increase in depreciation of our hardware devices.

Inventories

Our inventories primarily consist of raw materials for manufacturing our in-house fundus cameras and the third party fundus cameras we purchased for the bundled sales together with our software and in-house myopia treatment products. 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 RMB54.6 million as of June 30, 2023 from RMB29.6 million as of December 31, 2022, which was primarily due to the stockpiling for raw material inventory to support the manufacture and sales of our in-house fundus cameras and myopia treatment products.

Trade Receivables

Our trade receivables increased to RMB80.8 million as of June 30, 2023 from RMB63.9 million as of December 31, 2022, which is in line with the significant increase in revenue partially offset by a relatively quicker payment collection from our customers.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets increased to RMB27.5 million as of June 30, 2023 from RMB19.4 million as of December 31, 2022, which was primarily due to an increase in prepayments to suppliers in relation to the raw material procurement and consulting services that is in line with our operational scale-up.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss mainly represented wealth management products subscribed for from certain financial institutions to improve cash utilization efficiency. Our financial assets at fair value through profit or loss increased from RMB126.2 million as of December 31, 2022 to RMB343.3 million as of June 30, 2023, primarily because we invested in certain funds as a supplemental means to improve utilization of our idle cash on a short-term basis.

Cash and Cash Equivalents

Our cash and cash equivalents decreased to RMB876.4 million as of June 30, 2023 from RMB1,268.3 million as of December 31, 2022, which was primarily due to the purchase of financial assets, equity investment, and the use of cash in the ordinary course of business during the Reporting Period.

Trade Payables

Our trade payables increased to RMB22.9 million as of June 30, 2023 from RMB6.6 million as of December 31, 2022, which was primarily due to extended payment terms negotiated with our suppliers.

Liquidity and Source of Funding

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

As of June 30, 2023, our current assets were RMB1,408.8 million which mainly includes cash and cash equivalents of RMB876.4 million, time deposits of RMB93.1 million and other financial assets of RMB276.5 million. As of June 30, 2023, our current liabilities were RMB90.3 million which mainly includes trade payables of RMB22.9 million, other payables and accruals of RMB31.4 million and contract liabilities of RMB26.5 million.

Borrowings

As of June 30, 2023, we did not have any bank loans or other borrowings (as of December 31, 2022: 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 increased to RMB26.5 million as of June 30, 2023 from RMB18.2 million as of December 31, 2022, which was primarily due to the increase in the advances received from customers for new contracts signed in the first half of 2023.

Net Current Assets

Our net current assets decreased to RMB1,318.6 million as of June 30, 2023 from RMB1,611.2 million as of December 31, 2022.

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, 2023, we were 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 as set out in Part 2 of the Corporate Governance Code as its own code of corporate governance. The Board is of the view that the Company has complied with all applicable code provisions of the Corporate Governance Code for the Reporting Period, except for the following:

Under the code provision C.2.1 of the Corporate Governance 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), one non-executive Directors and three independent non-executive Directors, and therefore has an 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.

Compliance with the Model Code

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. Having made specific enquiry of all Directors and Supervisors, all of them have confirmed that they have complied with the Model Code during the Reporting Period and up to the date of this interim results announcement. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

Compliance with Relevant Laws and Regulations

The Group's operations are carried out in the PRC, while its Shares are listed on the Stock Exchange. The businesses operated by the Group are subject to the laws of relevant jurisdiction in the PRC and Hong Kong. During the Reporting Period and up to the date of this interim results announcement, as far as the Board and management are aware, the Group has complied with relevant laws and regulations that have a significant impact on the business and operation of the Group in the applicable jurisdictions.

During the Reporting Period and up to the date of the interim results announcement, none of the Group and the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible, and none were involved in any other litigation, arbitration or administrative proceedings which would have a material adverse impact on our business, financial condition or results of operations.

Significant Investments, Material Acquisitions and Disposals

On May 19, 2023, the Company entered into an equity transfer agreement to acquire the 70% equity interest in Beijing Zhitong Technology Co., Ltd. (北京智瞳科技有限公司) for a cash consideration of RMB182 million. Beijing Zhitong Technology Co., Ltd. is primarily engaged in the R&D, manufacture and sales of ophthalmic medical device and SaMDs. For further details, please refer to the Company's announcements dated May 19, 2023 and June 6, 2023.

Future Plans for Material Investments or Capital Assets

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

Capital Commitments

As of June 30, 2023, we did not have any significant capital commitments (as of December 31, 2022: nil).

Contingent Liabilities

As of June 30, 2023, we did not have any contingent liabilities.

Charge on Assets

The Company charged a deposit of RMB150.0 million to secure the bills of a third party, which was not further substantiated and accordingly the charge was subsequently released on March 24, 2023. There were no charges on the Group's assets as of June 30, 2023.

Foreign Exchange Exposure

Our financial statements are expressed in RMB, but certain of its cash and cash equivalents are denominated in foreign currencies, and are exposed to foreign currency risk. 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, 2023, we had 369 full-time employees. The total remuneration cost (share-based compensation included) incurred by the Group for the six months ended June 30, 2023 was RMB98.1 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. We have adopted the 2022 H Share equity incentive scheme on January 13, 2023 to incentivize our employees.

The Remuneration and Appraisal Committee was set up for reviewing the Company's emolument policy and structure for all remuneration of the Directors, Supervisors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors, Supervisors and senior management and comparable market practices.

We provide formal and comprehensive company-level and department-level training to our new employees, followed by on-the-job training. We also provide training and development programs to our employees from time to time to ensure their awareness and compliance with our various policies and procedures.

For the six months ended June 30, 2023, 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 (as defined in the prospectus of the Company dated October 26, 2021) 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, 2023, approximately HK$1,105.27 million of the net proceeds had been utilized as follows:

	Planned applications *(HK$ million)*	**Percentage of total net proceeds** *(%)*	**Actual usage for the six months ended June 30, 2023** *(HK$ million)*	**Actual usage up to June 30, 2023** *(HK$ million)*	**Unutilized net proceeds as of June 30, 2023** *(HK$ million)*	**Expected time of full utilization of remaining balance**
Optimization, development and commercialization of our Core Product	775.4	50%	51.52	195.75	579.65	2026
Research and development and manufacturing of our hardware devices	294.6	19%	45.84	103.12	191.48	2026
Ongoing and future R&D of our health risk assessment solutions	155.1	10%	9.41	45.66	109.44	2026
Development of our portfolio to diversify our AI-empowered retina-based early detection, diagnosis and health risk assessment solutions	93.0	6%	8.33	23.48	69.52	2024
Collaborations with academic and research institutions on joint research projects	77.5	5%	5.20	10.73	66.77	2024
Working capital and other general corporate purposes	155.1	10%	20.41	66.69	88.41	2024
Total	**1,550.7**	**100%**	**140.71**	**445.43**	**1,105.27**	

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, 2023 to the Shareholders (June 30, 2022: 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, 2023.

Review of Financial Statements

The Audit Committee comprises three independent non-executive Directors, namely Mr. NG Kong Ping Albert, Dr. HUANG Yanlin and Dr. 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, 2023 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, 2023) of the Group.

PUBLICATION OF THE 2023 CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.airdoc.com). The interim report of the Company for the six months ended June 30, 2023 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	*4*	**82,502**	37,407
Cost of sales		**(31,138)**	(15,336)
Gross profit		**51,364**	22,071
Other income and gains	*5*	**49,786**	28,593
Selling and distribution expenses		**(44,292)**	(48,857)
Administrative expenses		**(40,595)**	(31,726)
Research and development expenses		**(56,517)**	(69,573)
Finance costs	*6*	**(275)**	(192)
LOSS BEFORE TAX	*7*	**(40,529)**	(99,684)
Income tax expense	*8*	**(488)**	—
LOSS FOR THE PERIOD		**(41,017)**	(99,684)
Attributable to:			
Owners of the parent		**(36,970)**	(99,684)
Non-controlling interests		**(4,047)**	—
		(41,017)	(99,684)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted (expressed in RMB)		**(0.36)**	(0.98)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
LOSS FOR THE PERIOD	**(41,017)**	(99,684)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the financial statements of a subsidiary attributable to owners of the parent	**(192)**	(76)
Exchange differences on translation of the financial statements of a subsidiary attributable to non-controlling interests	**(76)**	—
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income	**(932)**	—
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(1,200)**	(76)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(42,217)**	(99,760)
Attributable to:		
Owners of the parent	**(38,094)**	(99,760)
Non-controlling interests	**(4,123)**	—
	(42,217)	(99,760)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 (Unaudited) *RMB'000***	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**16,771**	24,158
Right-of-use assets		**13,039**	8,918
Goodwill	*18*	**128,338**	970
Other intangible assets		**96,917**	5,858
Other financial assets	*14*	**105,420**	20,319
Other non-current assets		**4,183**	3,914
Total non-current assets		**364,668**	64,137
CURRENT ASSETS			
Inventories		**54,572**	29,571
Trade receivables	*12*	**80,769**	63,877
Prepayments, other receivables and other assets	*13*	**27,475**	19,386
Other financial assets	*14*	**276,497**	144,734
Time deposits over three months	*15*	**93,148**	—
Restricted bank deposits	*15*	**—**	150,000
Cash and cash equivalents	*15*	**876,360**	1,268,250
Total current assets		**1,408,821**	1,675,818
CURRENT LIABILITIES			
Trade payables	*16*	**22,868**	6,625
Other payables and accruals	*17*	**31,410**	35,404
Contract liabilities		**26,504**	18,197
Lease liabilities		**7,994**	4,085
Tax payable		**1,486**	354
Total current liabilities		**90,262**	64,665
NET CURRENT ASSETS		**1,318,559**	1,611,153
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,683,227**	1,675,290

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**13,914**	—
Lease liabilities	**4,264**	3,928
Total non-current liabilities	**18,178**	3,928
Net assets	**1,665,049**	1,671,362
EQUITY		
Equity attributable to owners of the parent		
Share capital	**103,568**	103,568
Reserves	**1,535,610**	1,562,557
	1,639,178	1,666,125
Non-controlling interests	**25,871**	5,237
Total equity	**1,665,049**	1,671,362

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

Beijing Airdoc Technology Co., Ltd. (the "**Company**") was established as a limited liability company in the People's Republic of China (the "**PRC**") on 9 September 2015. The Company was converted from a limited liability company into a joint stock limited liability company on 28 December 2020. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 November 2021.

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.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information and are not expected to have a significant impact on the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available) and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022.

The adoption of amendments to IAS 12 did not have any impact on the interim condensed consolidated statement of profit or loss.

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

IFRS 8 *Operating Segments* requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resource allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment during the six months ended 30 June 2023.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers	**82,502**	37,407
Disaggregated revenue information for revenue from contracts with customers		
Disaggregated by customer type		
Integrated solution of AI-based software and hardware:		
Medical institutions (Airdoc Medical)	**29,845**	12,577
Consumer healthcare environments (Airdoc Health)	**21,693**	17,223
Eye health management settings (Airdoc Eye Health)	**30,964**	7,607
Total revenue from contracts with customers	**82,502**	37,407
Disaggregated by geographical market		
Mainland China	**78,566**	36,926
Other countries/regions	**3,936**	481
Total revenue from contracts with customers	**82,502**	37,407
Disaggregated by timing of revenue recognition		
Goods or services transferred at a point in time	**69,000**	17,185
Services transferred over time	**13,502**	20,222
Total revenue from contracts with customers	**82,502**	37,407

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income and gains		
Investment income/(loss) from financial assets	**22,588**	(22,188)
Fair value gains on financial assets at fair value through profit or loss	**9,841**	7,549
Net foreign exchange gain	**7,805**	40,848
Interest income	**8,976**	2,156
Government grants	**237**	217
Others	**339**	11
	49,786	28,593

6. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on lease liabilities	**275**	192

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**18,801**	4,456
Depreciation of property, plant and equipment	**8,412**	8,032
Depreciation of right-of-use assets	**4,192**	2,865
Amortisation of other intangible assets	**941**	—
Impairment of financial assets, net:		
Impairment of trade receivables, net	**2,840**	707
Impairment of other receivables, net	**98**	11
(Reversal of impairment)/impairment of guarantee contract	**(2,990)**	2,990
Employee benefit expenses:		
Salaries, wages and other benefits	**80,774**	79,482
Defined contribution retirement plans	**6,132**	5,959
Share-based payments	**11,147**	17,248

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Under the relevant PRC income tax law, entities qualified as high-technology enterprises are entitled to a preferential income tax rate of 15%. The Company and three subsidiaries were recognised as high-technology enterprises and are subject to income tax at 15%.

Under the relevant PRC income tax law, the PRC subsidiaries of the Group are subject to income tax at a rate of 25% on their respective taxable income except for the Company and the three subsidiaries.

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current — Mainland	**(488)**	—
Total tax expense for the period	**(488)**	—

9. DIVIDENDS

No dividends were declared or paid by the Company during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 103,568,000 (2022: 101,248,000) in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2023 and 2022.

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	**36,970**	99,684

	Number of shares For the six months ended 30 June	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**103,568,000**	101,248,000

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB2,161,000 (30 June 2022: RMB4,173,000), excluding property, plant and equipment acquired through a business combination.

Assets with a net book value of RMB1,136,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB1,248,000), resulting in a net loss on disposal of RMB973,000 (30 June 2022: Nil).

During the six months ended 30 June 2023, an impairment loss of nil (30 June 2022: Nil) was recognised for certain property, plant and equipment.

12. TRADE RECEIVABLES

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Trade receivables	**90,139**	70,407
Impairment	**(9,370)**	(6,530)
	80,769	63,877

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Within 6 months	**52,831**	55,842
6 to 12 months	**27,557**	6,875
Over 12 months	**381**	1,160
	80,769	63,877

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Deposits	**1,642**	877
Prepayments to suppliers	**15,831**	10,669
VAT recoverable	**6,102**	5,050
Others	**4,174**	2,966
	27,749	19,562
Less: Loss allowance	**(274)**	(176)
	27,475	19,386

14. OTHER FINANCIAL ASSETS

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Financial assets measured at amortised cost	**36,129**	35,593
Financial assets at fair value through profit or loss	**343,332**	126,186
Equity investments designated at fair value through other comprehensive income	**2,456**	3,274
	381,917	165,053
Classified as:		
Current assets	**276,497**	144,734
Non-current assets	**105,420**	20,319
	381,917	165,053

15. CASH AND CASH EQUIVALENTS

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Cash and bank balances	**969,508**	1,418,250
Less: Time deposits over three months *(note 1)*	**(93,148)**	—
Restricted bank deposits *(note 2)*	**—**	(150,000)
Cash and cash equivalents	**876,360**	1,268,250

Note 1 The original maturity of the time deposits was more than three months but less than one year.

Note 2 Restricted bank deposits of RMB150,000,000 have been pledged to secure third party notes, which have been recovered during the period.

16. TRADE PAYABLES

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

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Within 6 months	**17,129**	6,625
6 months to 1 year	**5,739**	—
	22,868	6,625

17. OTHER PAYABLES AND ACCRUALS

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Accrued payroll	**9,410**	10,891
Other taxes payable	**13,665**	7,036
Accrued expenses	**5,333**	9,654
Listing expenses payable	**—**	1,381
Other payables	**3,002**	6,442
	31,410	35,404

18. BUSINESS COMBINATION

On 29 May 2023, the Group acquired a 70% interest in Beijing Zhitong Technology Co., Ltd and its subsidiaries ("**Beijing Zhitong Group**") from the Industry Fund at a total consideration of RMB182 million. The Industry Fund is a PRC-incorporated fund engaged in the investment in healthcare industry. The general partner of the Industry Fund is Shanghai Ruishi Wealth Investment Management Co., Ltd. (上海瑞世財富投資管理有限公司) (the "**Fund Manager**"), which is directly controlled as to 33.33% by Yang Xiaorong (楊曉蓉) as its ultimate beneficially owner. The Industry Fund has four limited partners, except for Beijing Zhongguan Zhihe Technology Co., Ltd. (北京中觀智和科技有限公司) holding 62.7% of the limited partnership interest and the Company holding 18.1% of the limited partnership interest in the Industry Fund, none of the other limited partners holds more than 30% partnership interest in the Industry Fund.

The above-mentioned Acquisition is expected to bring significant synergistic effects to the current business of the Group, as the Company is able to enhance Beijing Zhitong Group's existing products by introducing the Company's AI detection and diagnosis technologies and thereby extend the Group's current business from AI detection and diagnosis to AI-based medical treatment and further strengthen the Group's current product portfolio.

The fair values of the identifiable assets and liabilities of Beijing Zhitong Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000* (Unaudited)
Other intangible assets	92,000
Inventories	10,960
Trade receivables	2,968
Prepayments, other receivables and other assets	638
Cash and cash equivalents	5,190
Trade payables	(12,298)
Other payables and accruals	(4,423)
Tax payable	(3,191)
Deferred tax liabilities	(13,800)
Total identifiable net assets at fair value	78,044
Non-controlling interests	(23,412)
Goodwill on acquisition	127,368
Satisfied by cash	182,000

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	The cash flows in respect of the acquisition of subsidiaries *RMB'000* (Unaudited)
Cash consideration	(182,000)
Cash and bank balances acquired	5,190
Net outflow of cash and cash equivalents included in cash flows from investing activities	(176,810)

Reconciliation of the carrying amount of the Group's goodwill at the beginning and end of the reporting period is presented below:

	RMB'000 (Unaudited)
Gross carrying amount	
At 1 January 2023	970
Acquisition of subsidiaries	127,368
At 30 June 2023	128,338
Accumulated impairment losses	
At 1 January 2023 and at 30 June 2023	—
Net book value	
At 1 January 2023	970
At 30 June 2023	128,338

Since the acquisition, Beijing Zhitong Technology Co., Ltd contributed RMB10,715,000 (unaudited) to the Group's revenue and RMB1,125,000 (unaudited) to the consolidated profit for the six months ended 30 June 2023.

Had the combination taken place at the beginning of the period, the revenue of the Group and the loss of the Group for the period would have been RMB100,901,000 (unaudited) and RMB55,116,000 (unaudited), respectively.

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
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"AUC"	the area under the curve, a measure of serum drug concentration over a given time period
"ASCVD"	atherosclerotic cardiovascular disease
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of our Company
"CE Mark"	certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area
"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》)

"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 announcement, our Core Product refers to our Airdoc-AIFUNDUS
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
"FDA"	the U.S. food and drug administration is responsible for protecting public health by ensuring the safety, efficacy, and security of human and veterinary drugs, biological products, and medical devices
"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)
"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
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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. 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
"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
"R&D"	Research and Development
"RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the six months ended June 30, 2023
"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 Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"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 Share(s)"	domestic share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) subscribed for and paid up in RMB by domestic investors and currently not listed on any stock exchange

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

Hong Kong, August 25, 2023

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