



康基医疗控股有限公司
Kangji Medical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9997



2023
INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. ZHONG Ming (*Chairman*)
Ms. SHENTU Yinguang
Ms. Frances Fang CHOVANEC (*Effective date of resignation on September 15, 2023*)
Mr. YIN Zixin

Non-executive Director

Ms. CAI Li

Independent Non-executive Directors

Mr. JIANG Feng
Mr. GUO Jian
Mr. CHEN Weibo

AUDIT COMMITTEE

Mr. CHEN Weibo (*Chairman*)
Mr. JIANG Feng
Ms. CAI Li

REMUNERATION COMMITTEE

Mr. CHEN Weibo (*Chairman*)
Ms. SHENTU Yinguang
Mr. GUO Jian

NOMINATION COMMITTEE

Mr. ZHONG Ming (*Chairman*)
Mr. JIANG Feng
Mr. GUO Jian

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. ZHONG Ming (*Chairman*)
Ms. SHENTU Yinguang
Ms. Frances Fang CHOVANEC (*Effective date of resignation on September 15, 2023*)
Mr. YIN Zixin (*Appointed on September 15, 2023*)

COMPANY SECRETARY

Mr. WAN Siu Keung

AUTHORIZED REPRESENTATIVES

Mr. ZHONG Ming
Mr. YIN Zixin

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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Hong Kong

REGISTERED OFFICE

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Cayman Islands

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Zhejiang Province
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Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HONG KONG SHARE REGISTRAR

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STOCK CODE

9997

Financial Highlights

The financial highlights of the Group for the Reporting Period together with the comparative figures for the corresponding period in the last four financial periods are set out as follows:

	Six months ended June 30,				
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	403,589	332,321	318,124	212,587	216,059
Gross profit	321,755	265,712	261,227	177,634	180,019
Profit for the period	229,297	153,497	199,358	89,596	130,653
Profit attributable to owners of the parent	255,461	157,713	199,358	80,742	83,618
Earnings per share					
-Basic (RMB)	21.83 cents	12.95 cents	16.27 cents	11.92 cents	8.14 cents
-Diluted (RMB)	21.73 cents	12.95 cents	16.14 cents	11.82 cents	8.14 cents

For the Reporting Period, the Company realized revenue of RMB403.6 million, representing an increase of 21.4% as compared to the corresponding period in 2022. Our increase in sales was mainly attributable to a moderate growth in sales for the domestic market along with the gradual recovery of elective surgery volume after the COVID-19 restrictions were relaxed. Our export sales also increased moderately, which was driven mainly by sales of disposable trocars, polymer ligation clips and electrocoagulation forceps.

The Group's net profit attributable to owners of the parent for the Reporting Period increased by 62.0% from RMB157.7 million in 2022 to RMB255.5 million in 2023. The increase was mainly attributable to our sales growth and other income including interest income and foreign exchange gain, and partly offset by the increase of expenses primarily due to R&D expenses contributed by Hangzhou Weijing Medical Robot Co., Ltd.* ("**Weijing Medical**") since our acquisition of Weijing Medical.

The Board did not recommend the payment of any interim dividend for the six months ended June 30, 2023.

Management Discussion and Analysis

OUR MISSION

Our mission is to enable physicians and improve health and wellness of patients through providing high performing and accessible products and services.

BUSINESS OVERVIEW AND OUTLOOK

We are a leading medical device manufacturer in China offering a diversified product portfolio of medical equipment, instruments and accessories devoted to minimally invasive surgery. Through our subsidiary, Weijing Medical, we also have a platform with surgical robotic system and consumable products which will be commercialized by leveraging the Group's extensive distribution network as well as our strong manufacturing capability and clinical trial and regulatory approval experience.

As China went to a post-pandemic full reopening in December 2022, economic and business activities across the board in China have been recovering steadily for the first half of 2023. Despite some COVID impact and seasonality factors (e.g., Chinese New Year) in the first quarter, patient traffic and surgery volume rebounded significantly. By the end of the first half of 2023, the domestic elective surgery volume has basically recovered to a pre-pandemic level, which has increased the market demand for our products.

Our domestic sales growth for the first half of 2023 was driven mainly by growth in sales of disposable products (among the top three core product categories), as well as the significant increase in sales of 4K-ultra resolution endovision camera systems. On VBP, during the Reporting Period, we had won new bids for our core products. The most notable one was in Anhui province for non-absorbable ligation clips, for which we won first place with the highest weighted score based on factors such as price cut, hospital coverage, and share in hospitals' procurement volume. As a result, we were also allocated the highest hospital procurement volume. Since the bidding price is still higher than our ex-factory pricing, we do not expect any change to our distributor model and margin level. We also won bids in Yunnan and Shandong provinces respectively on ultrasonic scalpel with bidding results similar to the Guangdong-led alliance VBP. The distributor model will remain the same for ultrasonic scalpel. The implementation date, for these new VBPs are yet to be confirmed as of now.

One VBP implementation for disposable trocars in Guangdong province commenced during the first half of 2023. We have switched from a distributor model to a "logistics partner + academic promotion partner" model, which has proven to be an effective model for disposable trocars in VBP area. While announcements for new VBPs have been ongoing, overall, we do anticipate increasing visibility on more rational VBP policies. These policies have weighed various factors, which favor domestic leading players with relatively more established track record, greater market share, as well as reliable and stable supply. We expect the impact from ongoing VBP to be manageable in the foreseeable future and there will be more potential for us to gain market share through import substitution in the long run.

For overseas market, we continued the growth momentum for exports. The number of overseas countries/regions we sell to as well as the number of customers continued to increase in the first half of 2023 and the concentration of customers determined based on sales amount has decreased. Meanwhile, we achieved an export sale of RMB39.1 million, representing a 28.1% growth from the corresponding period of the previous year with the benefit of U.S. dollars' appreciation (our exports sales amount is denominated in U.S. dollars).

We have been increasing penetration in existing European and South American markets such as the U.K, Italy and Peru. We continued to engage with authorized distributors to increase the sales of Kangji-branded products in these markets. We have also actively participated in and have been preparing for more industry conferences and international academic promotion events. During the Reporting Period, we added nine overseas product registrations, mainly in Europe and Southeast Asia through our overseas OEM customers or distributors. In the future, we will invest more resources in overseas markets to maintain the momentum of rapid growth.

Management Discussion and Analysis

For the six months ended June 30, 2023, we achieved total revenue of RMB403.6 million, representing a 21.4% increase from the corresponding period of the previous year. The growth in revenue was mainly attributable to the growth of core disposable products and 4K-ultra resolution endovision camera systems. The Group's net profit attributable to owners of the parent for the six months ended June 30, 2023 increased by 62.0% from RMB157.7 million for the corresponding period in 2022 to RMB255.5 million in the Reporting Period. The increase was mainly attributable to our sales growth and other income (including interest income and foreign exchange gain), and partly offset by the increase of R&D expenses contributed by Weijing Medical since our acquisition of Weijing Medical. The Group's adjusted total net profit attributable to owners of the parent for the Reporting Period, which excludes fair value gain on equity investment, share-based payment expense, foreign exchange difference, and investment gain/loss from short-term financial products, has increased by 10.2% from RMB215.3 million to RMB237.2 million.

Research and Development

In the Reporting Period, the Group added 7 new product registrations in China excluding renewal of product registrations. As of June 30, 2023, we had an aggregate of 85 domestic NMPA product registrations including 12 for Class III medical devices, 39 for Class II medical devices and 34 for Class I medical devices. In the Reporting Period, the Group also obtained 58 new patents in China which include 27 new patents from Weijing Medical.

We continued our strategy to diversify our product mix, and within each product category, we strived to provide a comprehensive offering addressing differentiated clinical needs. For example, for our disposable trocar product series, during the Reporting Period, we obtained new approval for disposable trocars with cleaning rings and disposable trocars with filters. We recently obtained approval for a new disposable balloon trocar and are in the process of registering for disposable rotatable multi-channel single-port trocar to upgrade and supplement our offering. For ligation clips, we received the registration approval for our absorbable clips in the first half of 2023 and we expect to receive approval for multi-fire polymer ligation clips soon. Together with our existing polymer ligation clips and titanium clips, we would have a comprehensive ligation clip portfolio.

In the first half of 2023, we strengthened the establishment of our R&D team, including adding a specialist to lead our project on absorbable implantable consumables, and improved the organizational structure of R&D. These organizational improvements aim at monitoring projects more effectively, in terms of documentation, time and cost management to internal reporting and problem solving, etc., and also enhancing accountability of and incentives for our R&D staff.

In the Reporting Period, Weijing Medical also made progress in its R&D development. We acquired Weijing Medical in February 2022 and it has become a platform of the Company for developing surgical robotic systems and related instruments and accessories for laparoscopic surgery. For 3-arm surgical robot, patient enrollment in urology was completed with ongoing preparation for registration; for 4-arm surgical robot, type inspection was recently completed, and clinical trial is expected to start in the fourth quarter of 2023 with registration approval to be expected in 2024. We also plan to complete product design finalisation for single-port surgical robot in the second half of this year.

Management Discussion and Analysis

Sales and Distribution

Following the establishment of our sales offices in Shanghai and Guangzhou respectively in 2022, we added more district sales managers in the Reporting Period who strengthened the management of and support to local distributors, and this led to increased sales in markets such as the Guangdong province.

After China's post-pandemic full reopening, most of our academic promotion activities have returned to in-person events. We have carried out many well-planned thematic academic promotion conferences and training sessions in the first half of 2023 including product specific, surgical department specific as well as clinical area focused conferences and training sessions. For example, we have increased our single-port procedures training centers to 13 training centers nationally through collaboration with local reputable hospitals. These training centers have provided training to more than 200 doctors from over 100 hospitals. At the same time, we continued to build our online platform for training and academic promotion purposes. These online and offline events also serve as a communication and learning platform for doctors in different tiers of hospitals in all regions across the country.

Forward Outlook

Looking ahead, notwithstanding the uncertainty of the impact on hospitals' normal healthcare activities brought about by the overall macro-economic environment and the government's recent anti-corruption campaign in the healthcare industry, as the volume of elective surgeries and the capital expenditure of hospitals are still on a recovery trend, we are cautiously optimistic about the outlook for the full year.

Management Discussion and Analysis

FINANCIAL REVIEW

The following discussions are based on the financial information and notes set out in other sections of this report and should be read in conjunction with them.

Revenue

	Six months ended June 30,		
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	Changes %
Disposable products			
Disposable trocars	169,856	155,243	9.4
Polymer ligation clips	99,404	83,128	19.6
Disposable electrocoagulation forceps	51,505	39,794	29.4
Ultrasonic scalpels	12,479	6,086	105.0
Other disposable products ⁽¹⁾	8,776	8,762	0.2
Sub-total	342,020	293,013	16.7
Reusable products			
4K endoscopic camera systems	17,888	3,490	412.6
Other reusable products ⁽²⁾	43,681	35,818	22.0
Sub-total	61,569	39,308	56.6
Total	403,589	332,321	21.4

Notes:

(1) Other disposable products primarily include, among others, disposable suction and irrigation sets and retrieval bags.

(2) Other reusable products primarily include reusable trocars and reusable forceps.

Our revenue amounted to RMB403.6 million for the six months ended June 30, 2023, representing an increase of 21.4% as compared to RMB332.3 million for the corresponding period in 2022. The increase in revenue was primarily attributable to: (i) the increase in sales of disposable electrocoagulation forceps, ultrasonic scalpels and reusable products; and (ii) the continuing growth in export sales due to demand in overseas market continued to grow as well as our ongoing effort to expand our overseas channels, increase product registrations and overseas marketing activities.

Management Discussion and Analysis

Disposable Products

Our disposable products include disposable trocars, polymer ligation clips, disposable electrocoagulation forceps, ultrasonic scalpels, and other disposable products. Our disposable products recorded revenue of RMB342.0 million for the Reporting Period, representing an increase of 16.7% as compared to RMB293.0 million for the corresponding period in 2022. Such increase was mainly attributable to the year-on-year growth in revenue in disposable trocars, polymer ligation clips and disposable electrocoagulation forceps. Due to the release of restrictions and lockdowns from COVID outbreaks in China since early 2023, demand for disposable products had been increased by the gradual recovery in elective surgery in the first half of 2023. During the Reporting Period, sales of disposable products accounted for 84.7% of our total revenue as compared to 88.2% for the corresponding period in 2022.

Disposable trocars recorded revenue of RMB169.9 million for the Reporting Period, representing an increase of 9.4% as compared with RMB155.2 million for the corresponding period in 2022. Both our export sales of disposable trocars and overall sales of single-site trocars exhibited strong growth in the first half of 2023. During the Reporting Period, VBP for disposable trocars was effective in Guangdong province and we enhanced our cooperation with logistics and external promotion partners under the non-distributor model to achieve sales growth in VBP regions.

Sales of polymer ligation clips exhibited positive year-on-year growth which were driven by growth in surgery volume and partly stimulated by the general price cut in end market price and our broader access to hospitals. Sales of polymer ligation clips in Shandong, Henan, Hebei and Shanxi provinces, currently under the four-province alliance VBP, recorded strong growth in the Reporting Period, while for other areas it grew at a slower pace partly due to uncertainty in regional VBP.

Disposable electrocoagulation forceps continued to experience a rapid growth in demand and recorded a high sales growth for the Reporting Period. This can be mainly attributed to a relatively underpenetrated market segment and our focused effort to drive sales across the product portfolio.

Reusable Products

Our reusable products recorded revenue of RMB61.6 million for the Reporting Period, representing an increase of 56.6% as compared with RMB39.3 million for the corresponding period in 2022. Such increase was mainly due to the increase in sales of 4K endoscopic camera systems and reusable forceps.

Sales Channel

Most of our revenue comes from sales to domestic customers. During the Reporting Period, we primarily sold our products to domestic distributors. To a lesser extent, we also sold to domestic hospitals and other customers primarily including distribution companies that we sell to who then distribute our products under VBPs or under the “two-invoice” system to hospitals. For overseas markets, our customers mainly include overseas ODM customers and overseas distributors.

Revenue from overseas markets was approximately RMB39.1 million for the six months ended June 30, 2023, representing an increase of 28.1% from the corresponding period in 2022. Growth of our export sales was strong during the Reporting Period due to our ongoing effort to expand overseas channels into 47 countries/regions and increase product registrations in overseas markets, and it was also benefited by the appreciation of USD at the same time. Revenue from overseas markets accounted for 9.7% of our total revenue for the first half of 2023 as compared to 9.2% for the corresponding period in 2022.

Management Discussion and Analysis

The following table sets forth our revenue by geographic market and sales channel for the periods indicated:

	Six months ended June 30,		
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	Changes %
Domestic			
– Distributors	333,143	284,840	17.0
– Hospitals and other customers ⁽¹⁾	31,321	16,934	85.0
Sub-total	364,464	301,774	20.8
Overseas			
– ODM customers	31,154	25,772	20.9
– Distributors	7,971	4,775	66.9
Sub-total	39,125	30,547	28.1
Total	403,589	332,321	21.4

Note:

- (1) Other customers include distribution companies we sell to directly for products under the “two-invoice” system and under VBPs that have been implemented in certain areas such as Shandong, Fujian, Hunan and Hebei provinces.

Cost of Sales

Our cost of sales during the Reporting Period mainly consisted of raw materials, direct labor costs and manufacturing costs.

For the six months ended June 30, 2023, our cost of sales was RMB81.8 million, representing an increase of 22.9% as compared with RMB66.6 million for the six months ended June 30, 2022. The increase in cost of sales was primarily in line with the increase in sales revenue. During the Reporting Period, the increase in raw materials and manufacturing costs were generally in line with our increased production and sales. Our direct labor costs remained relatively stable in the first half of 2023, reflecting the economies of scale we were able to achieve in our operations.

Management Discussion and Analysis

The following table sets forth the breakdown of our cost of sales by nature for the periods indicated:

	Six months ended June 30,			
	2023		2022	
	Amount	% of total	Amount	% of total
	RMB'000 (except percentages) (Unaudited)			
Raw materials	42,817	52.3	31,657	47.5
Direct labor costs	19,486	23.8	20,092	30.2
Manufacturing costs ⁽¹⁾	19,531	23.9	14,860	22.3
Total	81,834	100.0	66,609	100.0

Note:

(1) Manufacturing costs primarily include utilities costs, overhead expenses and depreciation of our manufacturing equipment.

Gross Profit and Gross Margin

Our gross profit increased by 21.1% to RMB321.8 million for the six months ended June 30, 2023 from RMB265.7 million for the six months ended June 30, 2022, due to an increase in sales.

Our gross profit margin was 79.7% for the six months ended June 30, 2023, which remained stable as compared to the 80.0% for the six months ended June 30, 2022.

Specifically, contribution from our newer products such as ultrasonic scalpels and 4K ultra resolution endovision camera systems increased during the Reporting Period, these products have significantly lower gross margin level than that of disposable products due to their product type characteristics.

The following table sets forth the breakdown of our gross profit and gross profit margin by product type for the periods indicated:

	Six months ended June 30,			
	2023		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000 (except percentages) (Unaudited)			
Disposable products	286,875	83.9%	243,805	83.2%
Reusable products	34,880	56.7%	21,907	55.7%
Total	321,755	79.7%	265,712	80.0%

Management Discussion and Analysis

Other Income and Gain

Other income and gain for the six months ended June 30, 2023 was RMB93.8 million, while for the six months ended June 30, 2022, it was RMB61.4 million. The increase was primarily due to (1) an increase of RMB16.1 million in interest income arising from bank deposits; and (2) an increase of RMB23.2 million in foreign exchange gain mainly attributable to the appreciation of our USD denominated bank deposits as USD strengthened against RMB during the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses were RMB32.6 million for the six months ended June 30, 2023, representing an increase of 36.2% as compared with RMB23.9 million for the six months ended June 30, 2022. The increase was primarily due to (1) the increase in marketing and promotion fees paid to external partners as a result of the implementation of VBP for disposable trocars in more provinces; and (2) the significant increase in expenses as compared to last year, as advertising and academic promotion activities resumed to normal due to the travel restrictions under COVID-19 were lifted in the Reporting Period.

Administrative Expenses

Administrative expenses amounted to RMB45.4 million for the six months ended June 30, 2023, representing an increase of 37.6% as compared with RMB33.0 million for the corresponding period in 2022. The increase was mainly due to the increase in personnel and related expenses.

Research and Development Expenses

R&D expenses for the six months ended June 30, 2023 was RMB60.1 million, representing an increase of 128.6% as compared with RMB26.3 million for the six months ended June 30, 2022, primarily due to (i) the increase in R&D expense in the amount of RMB27.9 million by Weijing Medical on a year-on-year basis, and (ii) R&D with respect to other innovative products and the upgrading of existing products.

Other Expenses

Other expenses primarily consist of donation, foreign exchange loss, and investment loss from financial assets at fair value through profit or loss. For the Reporting Period, we recorded other expenses of RMB3.4 million, which was primarily attributable to donations made during the period.

Income Tax Expenses

Income tax expenses were RMB42.0 million for the six months ended June 30, 2023, representing an increase of 1.7% as compared to RMB41.3 million for the six months ended June 30, 2022. The increase in income tax expenses was primarily due to the increase in taxable profit of our operating entities in mainland China for the Reporting Period.

Non-HKFRS Adjusted Net Profit for the Reporting Period

To supplement our unaudited consolidated statement of profit or loss and other comprehensive income which is presented in accordance with the HKFRS, we also use adjusted net profit as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. We believe that the presentation of non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain non-operational or one-off expenses that do not affect our ongoing operating performance, including fair value gain on equity investment, foreign exchange difference, share-based payment expenses and investment gain/loss from short-term financial products. Such non-HKFRS measure allows investors to consider metrics used by our management in evaluating our performance.

Management Discussion and Analysis

The following table shows our adjusted net profit for the Reporting Period and its reconciliation to profit for the periods indicated:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period attributable to owners of the parent	255,461	157,713
Add/(Less):		
Fair value gain on equity investment	(2,269)	–
Foreign exchange difference	(23,227)	26,549
Share-based payment expenses	7,273	7,526
Investment (gain)/loss from short-term financial products	(53)	23,532
Non-HKFRS adjusted net profit for the period attributable to owners of the parent	237,185	215,320

Notes:

- (1) Fair value gain on equity investment is non-operational in nature which mainly arises from the change in fair value of our investment in Shenzhen Edge Medical Co., Ltd.* (深圳市精鋒醫療科技股份有限公司) for the periods, the amount of which may not directly correlate with the underlying performance of our business operations.
- (2) Foreign exchange difference is non-operational in nature which mainly arises from the currency fluctuation of USD against RMB for the periods, the amount of which may not directly correlate with the underlying performance of our business operations. The Group's net exchange gain of RMB23,227,000 in the Reporting Period comprises the exchange gain of RMB23,227,000 attributable to owners of the parent and nil attributable to non-controlling interests.
- (3) Share-based payment expenses are non-operational expenses arising from granting RSUs and pre-IPO share options to selected management members, the amount of which may not directly correlate with the underlying performance of our business operations, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities.
- (4) Investment (gain)/loss from short-term financial products purchased mainly for hedging foreign currency fluctuations is non-operational in nature which is affected by the currency fluctuation of USD against RMB for the periods, the amount of which may not directly correlate with the underlying performance of our business operations.

The use of the non-HKFRS measures has limitations as an analytical tool, and it should not be considered in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

Liquidity and Capital Resources

During the Reporting Period, we financed our operations and other capital expenditure requirements primarily through cash generated from our operations and proceeds from the Company's initial public offering on the Stock Exchange on June 29, 2020.

As of June 30, 2023, we had cash and cash equivalents of RMB3,002.4 million, as compared with RMB2,818.4 million as of December 31, 2022.

Management Discussion and Analysis

Net Current Assets

We had net current assets of RMB2,954.1 million as of June 30, 2023, representing a decrease of RMB16.0 million as compared with RMB2,970.1 million as of December 31, 2022. The decrease in net current assets was relatively insignificant.

Foreign Exchange Exposure

During the Reporting Period, the Group's operations were primarily based in Mainland China. Assets, liabilities and transactions in the PRC are mainly denominated in RMB, while overseas assets and transactions are mainly denominated in USD. We are exposed to foreign currency risks, primarily including account receivables, account payables and cash balances that are denominated in a foreign currency, i.e., a currency other than our functional currency. For the six months ended June 30, 2023, the Group recorded an exchange gain of RMB23.2 million, as compared to an exchange loss of RMB24.2 million for the six months ended June 30, 2022, primarily due to the appreciation of our bank deposits denominated in USD.

The Group has been actively monitoring and overseeing its foreign exchange risks and mitigating its potential risk exposure with the use of short-term financial products should the need arise.

Capital Expenditure

For the six months ended June 30, 2023, the Group's total capital expenditure amounted to approximately RMB34.6 million, which was primarily used in purchasing machinery and equipment and construction of buildings. The Group's capital expenditure for the six months ended June 30, 2022 was approximately RMB69.9 million.

Charge of Assets/Pledge of Assets

As of June 30, 2023, we did not have any charge of assets or pledge of assets.

Borrowings

As of June 30, 2023, we did not have any outstanding bank loans and other borrowings. We monitor capital using a gearing ratio, which is debt divided by total assets. Debt includes trade payables, other payables and accruals, and lease liabilities. As of June 30, 2023, the gearing ratio of the Group was 8.8% (as of December 31, 2022: 3.8%).

Contingent Liabilities

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

Major Investment, Acquisition and Disposal

As of the date of this report, the Group did not hold any major investments in the equity interest of any other companies, or have any other major acquisition or disposal during the Reporting Period.

Future Plans for Material Investments and Capital Assets

The Group intends to utilize the net proceeds raised from the Company's global offering to pursue strategic investment and to fund acquisition of capital assets for our expansion in the manner set out in the Prospectus and further explained in section headed "Use of Proceeds from the Global Offering" below. Save as disclosed in this report, the Group did not have any plan for material investments and capital assets.

Management Discussion and Analysis

Employee and Remuneration Policy

As of June 30, 2023, the Group had 982 employees (June 30, 2022: 846 employees). Total staff remuneration expenses including remuneration of the Directors and share-based payment expenses for the six months ended June 30, 2023 amounted to RMB67.9 million (for the six months ended June 30, 2022: RMB62.3 million).

The remuneration committee of the Company is responsible for reviewing the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Company. The remuneration of Directors and senior management is determined with reference to the salaries of comparable companies and their experience, duties and performance. The remuneration of other employees is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice.

In recognition of the contributions of our Directors, senior management and employees and to incentivize them to further promote our development, the Company adopted the Pre-IPO Share Option Plan and the RSU Plan on May 6, 2020. During the Reporting Period, no RSU under the RSU Plan were granted to our senior management and employees. As of June 30, 2023, a total of 26,810,000 RSUs had been granted under the RSU Plan.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of date of this report, to the best knowledge of the Directors, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in the Company

Name of Director/Chief Executive	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the total issued share capital (%)
Mr. Zhong Ming	Beneficiary of a trust ^(Note 2)	408,500,000 (L)	33.57 (L)
	Interest of spouse ^(Note 4)	231,500,000 (L)	19.03 (L)
Ms. Shentu Yinguang	Beneficiary of a trust ^(Note 3)	231,500,000 (L)	19.03 (L)
	Interest of spouse ^(Note 4)	408,500,000 (L)	33.57 (L)
Mr. YIN Zixin	Beneficial owner ^(Note 5)	4,125,000 (L)	0.34 (L)

Notes:

- (1) The letter "L" denotes our directors' long position in the Shares.
- (2) Fortune Spring ZM B Limited is owned by Fortune Spring ZM AA Limited and Fortune Spring ZM A Limited as to 99.9% and 0.1%, respectively. Fortune Spring ZM AA Limited is wholly owned by the Fortune Spring ZM Trust, for which Credit Suisse Trust Limited serves as the trustee and Mr. Zhong Ming acts as the settlor and protector.
- (3) Fortune Spring YG B Limited is owned by YG AA Limited and Fortune Spring YG A Limited as to 99.8% and 0.2%, respectively. YG AA Limited is wholly owned by The YG Trust, for which BOS Trustee Limited serves as the trustee, and Ms. Shentu Yinguang acts as the settlor and Mr. Zhong acts as the protector.
- (4) Mr. Zhong Ming and Ms. Shentu Yinguang are spouses, and therefore are deemed to be interested in the Shares held by each other under the SFO.
- (5) Mr. YIN Zixin is interested in the RSUs in respect of 4,125,000 underlying Shares granted to him in accordance with the RSU Plan.

Save as disclosed above, as of the date of this report, none of the Directors or chief executive of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which will be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of date of this report, to the best knowledge of the Directors, the followings are the persons, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares and underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholders	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding (%)
Credit Suisse Trust Limited	Trustee of a trust <i>(Note 2)</i>	408,500,000 (L)	33.57 (L)
BOS Trustee Limited	Trustee of a trust <i>(Note 3)</i>	231,500,000 (L)	19.03 (L)
Fortune Spring ZM B Limited	Beneficial owner <i>(Note 2)</i>	408,500,000 (L)	33.57 (L)
Fortune Spring YG B Limited	Beneficial owner <i>(Note 3)</i>	231,500,000 (L)	19.03 (L)
Keyhole Holding Limited	Beneficial owner <i>(Note 4)</i>	216,190,500 (L)	17.77 (L)

Notes:

- (1) The letter "L" denotes long position in the Shares.
- (2) Fortune Spring ZM B Limited is owned by Fortune Spring ZM AA Limited and Fortune Spring ZM A Limited as to 99.9% and 0.1%, respectively. Fortune Spring ZM AA Limited is wholly owned by the Fortune Spring ZM Trust, for which Credit Suisse Trust Limited serves as the trustee and Mr. Zhong Ming acts as the settlor and protector.
- (3) Fortune Spring YG B Limited is owned by YG AA Limited and Fortune Spring YG A Limited as to 99.8% and 0.2%, respectively. YG AA Limited is wholly owned by The YG Trust, for which BOS Trustee Limited serves as the trustee, and Ms. Shentu Yinguang acts as the settlor and Mr. Zhong acts as the protector.
- (4) Each of TPG Keyhole, L.P. (as sole shareholder of Keyhole Holding Limited), TPG Asia GenPar VII, L.P. (as a general partner of TPG Keyhole, L.P.), TPG Asia GenPar VII Advisors, Inc. (as a general partner of TPG Asia GenPar VII, L.P.), TPG Holdings III, L.P. (as the sole shareholder of TPG Asia GenPar VII Advisors, Inc.), TPG Holdings III-A, L.P. (as a general partner of TPG Holdings III, L.P.), TPG Holdings III-A, Inc. (as a general partner of TPG Holdings III-A, L.P.), TPG Group Holdings (SBS), L.P. (as the sole shareholder of TPG Holdings III-A, Inc.), TPG Group Holdings (SBS) Advisors, LLC (as a general partner of TPG Group Holdings (SBS), L.P.) and TPG Group Holdings (SBS) Advisors, Inc. (as the sole member of TPG Group Holdings (SBS) Advisors, LLC) is deemed to be interested in the Shares held by Keyhole Holding Limited under the SFO. TPG Group Holdings (SBS) Advisors, Inc. is controlled by Mr. David Bonderman and Mr. James G. Coulter, who disclaim beneficial ownership of the Shares held by Keyhole Holding Limited except to the extent of their pecuniary interest therein.

Save as disclosed above, as of date of this report, the Directors and the chief executive of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO.

Corporate Governance and Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the six months ended June 30, 2023 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the Shares in, or debentures of the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

The Company repurchased a total of 1,780,500 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$15.7 million (excluding brokerage fees and taxes) during the six months ended June 30, 2023 (during the six months ended June 30, 2022: nil) at price ranging from HK\$8.18 to HK\$9.25. 2,521,000 Shares (which have been repurchased by the Company in December 2022 and during the Reporting Period) were cancelled during the six months ended June 30, 2023.

PRE-IPO SHARE OPTION PLAN AND RSU PLAN

On May 6, 2020, the Company adopted the Pre-IPO Share Option Plan and the RSU Plan, pursuant to which the Company may grant options to subscribe for the Shares and issue certain units of Shares with restrictive rights to eligible participants subject to the terms and conditions stipulated therein. The terms of the Pre-IPO Share Option Plan are not subject to the provisions of Chapter 17 of the Listing Rules, whereas the RSU Plan constitutes a share scheme involving existing Shares under Chapter 17 of the Listing Rules with effect from January 1, 2023.

The Pre-IPO Share Option Plan and the RSU Plan were adopted to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors and consultants and to promote the success of the Company's business by offering these individuals an opportunity to acquire a proprietary interest in the Company.

(a) Pre-IPO Share Option Plan

As of June 30, 2023, the number of Shares in respect of which options had been granted under the Pre-IPO Share Option Plan was 4,120,000, representing approximately 0.34% of the Shares in issue. Details of the options granted under the Pre-IPO Share Option Plan are set out below:

Name of grantee	Position	Exercised during the Reporting Period	Outstanding as of June 30, 2023	Date of grant	Number of underlying Shares subject to Option	Vesting schedule	Approximate percentage of issued Shares
Ms. Frances Fang Chovanec	Executive Director and chief financial officer	Nil	4,120,000	May 6, 2020	4,120,000	580,000 Shares upon Listing; 1,180,000 Shares on the first year anniversary of the vesting commencement date; 1,180,000 Shares on the second year anniversary of the vesting commencement date; 1,180,000 Shares on the third year anniversary of the vesting commencement date	0.34%

On September 15, 2023, all 4,120,000 options vested under the Pre-IPO Share Option Plan have been cancelled.

Corporate Governance and Other Information

(b) RSU Plan

The underlying Shares of the RSU Plan are Shares held by Fortune Spring KangJi 1 Limited. The maximum number of RSUs that may be granted under the RSU Plan in aggregate shall be such number of Shares held or to be held by Fortune Spring KangJi 1 Limited from time to time.

The original overall limit on the number of underlying Shares to be granted under the RSU Plan was 26,810,000 Shares, which had been reserved by Fortune Spring KangJi 1 Limited. On May 25, 2022, the Shareholders of the Company have approved the increase of limit in respect of the number of Shares to be granted under the RSU Plan from 26,810,000 Shares to 46,810,000 Shares. During the Reporting Period, no RSU under the RSU Plan were granted to our senior management and employees. As of June 30, 2023, a total of 26,810,000 RSUs had been granted under the RSU Plan.

The RSUs granted under the RSU Plan shall be valid for a period of six years commencing on the date that the RSU Plan is adopted and approved by the Shareholders.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

In connection with the Company's Global Offering, 225,397,500 Shares of US\$0.00001 each were issued at a price of HK\$13.88 per Share for a total cash consideration of approximately HK\$2,952.5 million (equivalent to RMB2,697.1 million), after deducting underwriting commissions and related fees and expenses.

The net proceeds from the Global Offering of the Company (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in that same manner, proportion and the expected timeframe as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2023:

Use of proceeds	Percentage of total net proceeds (%)	Planned applications (HK\$ million)	Planned applications (RMB million)	Revised application of total net proceeds ⁽¹⁾ (RMB million)	Utilization during the six months ended June 30, 2023 (RMB million)	Actual usage up to June 30, 2023 (RMB million)	Unutilized net proceeds as at June 30, 2023 (RMB million)	Expected timeframe for unutilized net proceeds (from the Listing Date)
For expanding our production capacity and strengthen our manufacturing capabilities, including:								
to expand production capacity of our current products and further automate existing production lines	9.8	273.5	249.9	264.3	6.9	25.2	239.1	within three to five years
to build up production capabilities for pipeline products	10.2	284.7	260.1	275.1	20.0	99.0	176.1	within six years
For funding our R&D activities, including:								
to establish R&D centers	17.0	474.5	433.5	458.5	11.1	65.0	393.5	within four years
for development and expansion of our product pipeline	8.0	223.3	204.0	215.8	20.1	102.7	113.1	within five to six years
For investing in our sales and marketing activities, including:								
to be used in our domestic sales and marketing activities ⁽²⁾	15.0	418.6	382.5	404.5	14.6	40.7	363.8	within four to five years
to increase our overseas sales	5.0	139.6	127.5	134.9	0.5	1.7	133.2	within three to five years
For funding potential strategic investment and acquisitions	25.0	697.8	637.5	674.3	–	207.5	466.8	within five years
For our working capital and general corporate purposes	10.0	279.1	255.0	269.7	34.0	159.3	110.4	within four to six years
Total	100.0	2,791.1	2,550.0	2,697.1	107.2	701.1	1,996.0	

Corporate Governance and Other Information

Notes:

- (1) By excluding the underwriting commissions and related fees and expenses, the actual net proceeds planned for applications amounted to RMB2,697.1 million. Net proceeds were received in HK\$ and translated to RMB for application planning.
- (2) On March 25, 2021, the Board resolved to change the location of the sales and marketing center to be established from our headquarters to Beijing, which is in line with our latest business strategy and does not deviate from our originally planned application of the net proceeds as described in the Prospectus. Other than this minor change, no amendment has been made to the disclosure in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Guidelines for Securities Transactions by Directors (the “**Written Guidelines**”) on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry, all of the Directors have confirmed that they have complied with the Model Code and the Written Guidelines during the six months ended June 30, 2023. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of its 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 set out in Appendix 14 to the Listing Rules 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 CG Code during the Reporting Period, except for a deviation from the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Mr. ZHONG Ming. The Company has a professional management team to monitor the operations of the subsidiaries. The Board considers that vesting the roles of chairman and chief executive officer in the same person is more efficient in the direction and management of the Company and does not impair the balance of power and authority of the Board and the management of the business of the Group. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

REVIEW OF INTERIM RESULTS

The Audit Committee consists of two independent non-executive Directors, Mr. CHEN Weibo and Mr. JIANG Feng, and one non-executive Director, Ms. CAI Li. The chairman of the Audit Committee is Mr. CHEN Weibo. 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 Group and the interim condensed consolidated financial information for the six months ended June 30, 2023. The Audit Committee was satisfied that such consolidated financial information were prepared in accordance with the applicable accounting standards and fairly present the Group’s financial position and results for the Reporting Period.

Corporate Governance and Other Information

EVENTS AFTER THE REPORTING PERIOD

No significant event has occurred since the end of the Reporting Period and up to the date of this report.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended June 30, 2023.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

Mr. YIN Zixin, an executive Director, has been appointed as a member of the environmental, social and governance committee of the Company on September 15, 2023.

Save as disclosed above, there has been no other change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	4	403,589	332,321
Cost of sales		(81,834)	(66,609)
Gross profit		321,755	265,712
Other income and gains	4	93,775	61,393
Selling and distribution expenses		(32,553)	(23,893)
Administrative expenses		(45,416)	(32,998)
Research and development costs		(60,076)	(26,280)
Impairment losses on financial assets, net		(1,647)	(639)
Other expenses		(3,379)	(47,786)
Finance costs		(1,177)	(715)
PROFIT BEFORE TAX	5	271,282	194,794
Income tax expense	6	(41,985)	(41,297)
PROFIT FOR THE PERIOD		229,297	153,497
Attributable to:			
Owners of the parent		255,461	157,713
Non-controlling interests		(26,164)	(4,216)
		229,297	153,497
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(3,057)	1,062
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		(3,057)	1,062
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company's financial statements into presentation currency		–	82,182
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		–	82,182
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		(3,057)	83,244
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		226,240	236,741

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Note	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Attributable to:			
Owners of the parent		252,404	240,957
Non-controlling interests		(26,164)	(4,216)
		226,240	236,741
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	8	RMB21.83cents	RMB12.95cents
Diluted	8	RMB21.73cents	RMB12.95cents

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	9	192,490	169,020
Prepayments for property, plant and equipment		406	1,087
Right-of-use assets		98,951	99,571
Financial assets at fair value through profit or loss		138,706	136,437
Goodwill		167,209	167,209
Intangible assets		284,626	284,712
Deferred tax assets		3,380	3,115
Total non-current assets		885,768	861,151
CURRENT ASSETS			
Inventories		112,748	105,399
Trade receivables	10	169,149	163,145
Prepayments, other receivables and other assets		22,198	25,700
Financial assets at fair value through profit or loss		11,161	11,156
Cash and cash equivalents	11	3,002,425	2,818,360
Total current assets		3,317,681	3,123,760
CURRENT LIABILITIES			
Trade payables	12	29,342	20,752
Other payables and accruals		293,204	82,942
Lease liabilities		6,091	6,696
Deferred income		1,821	636
Tax payable		33,169	42,643
Total current liabilities		363,627	153,669
NET CURRENT ASSETS		2,954,054	2,970,091
TOTAL ASSETS LESS CURRENT LIABILITIES		3,839,822	3,831,242

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	3,839,822	3,831,242
NON-CURRENT LIABILITIES		
Lease liabilities	41,815	42,323
Deferred income	318	636
Deferred tax liabilities	75,424	69,475
Total non-current liabilities	117,557	112,434
Net assets	3,722,265	3,718,808
EQUITY		
Equity attributable to owners of the parent		
Share capital	86	86
Reserves	3,402,533	3,372,912
	3,402,619	3,372,998
Non-controlling Interests	319,646	345,810
Total equity	3,722,265	3,718,808

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium account* RMB'000	Share held for share award arrangement* RMB'000	Treasury shares* RMB'000	Capital reserve* RMB'000	Share option and award reserve* RMB'000	Statutory surplus reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023 (audited)	86	2,481,480	(3)	(5,495)	33,301	37,252	128,314	(159,123)	857,186	3,372,998	345,810	3,718,808
Profit/(loss) for the period	-	-	-	-	-	-	-	-	255,461	255,461	(26,164)	229,297
Other comprehensive income for the period:												
Exchange differences related to foreign operations	-	-	-	-	-	-	-	(3,057)	-	(3,057)	-	(3,057)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	(3,057)	255,461	252,404	(26,164)	226,240
Shares repurchased	-	-	-	(13,707)	-	-	-	-	-	(13,707)	-	(13,707)
Shares cancelled	-	(19,202)	-	19,202	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	(216,349)	(216,349)	-	(216,349)
Share-based payments	-	-	-	-	-	7,273	-	-	-	7,273	-	7,273
Transfer to statutory surplus reserve	-	-	-	-	-	-	23,776	-	(23,776)	-	-	-
At 30 June 2023 (unaudited)	88	2,462,278	(3)	-	33,301	44,525	152,090	(162,180)	872,522	3,402,619	319,646	3,722,265

* These reserve accounts comprise the consolidated reserves of RMB3,402,533,000 in the interim condensed consolidated statement of financial position as at 30 June 2023.

For the six months ended 30 June 2022

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium account RMB'000	Share held for share award arrangement RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share option and award reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (audited)	88	2,762,034	(2)	(4,288)	33,301	26,286	77,454	(241,819)	607,347	3,260,401	-	3,260,401
Profit/(loss) for the period	-	-	-	-	-	-	-	-	157,713	157,713	(4,216)	153,497
Other comprehensive income for the period:												
Exchange differences related to foreign operations	-	-	-	-	-	-	-	83,244	-	83,244	-	83,244
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	83,244	157,713	240,957	(4,216)	236,741
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	363,372	363,372
Shares repurchased	-	-	-	(13,062)	-	-	-	-	-	(13,062)	-	(13,062)
Shares cancelled	-	(4,288)	-	4,288	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	(178,003)	(178,003)	-	(178,003)
Share-based payments	-	-	-	-	-	7,526	-	-	-	7,526	-	7,526
Transfer to statutory surplus reserve	-	-	-	-	-	-	21,613	-	(21,613)	-	-	-
At 30 June 2022 (unaudited)	88	2,757,746	(2)	(13,062)	33,301	33,812	99,067	(158,575)	565,444	3,317,819	359,156	3,676,975

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Note	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		271,282	194,794
Adjustments for:			
Finance costs		1,177	715
Bank interest income	4	(42,636)	(26,530)
Foreign exchange differences, net		(23,227)	24,153
Investment income/(losses) from financial assets at fair value through profit or loss		(53)	23,532
Fair value gains on financial assets at fair value through profit or loss	4	(2,269)	–
Gain on disposal of items of property, plant and equipment		(57)	(12)
Depreciation of property, plant and equipment		10,659	6,588
Depreciation of right-of-use assets		5,378	2,253
Amortisation of intangible assets		125	98
Impairment of trade receivables, net		1,647	638
Impairment of other receivables, net		–	1
Recognition of deferred income		(318)	(318)
Lease modification		(304)	–
Share-based payment expense		7,273	7,526
		228,677	233,438
Increase in inventories		(7,349)	(27,390)
Increase in trade receivables		(7,651)	(34,860)
Decrease/(increase) in prepayments, other receivables and other assets		3,502	(5,694)
Increase in trade payables		8,590	1,613
Decrease in other payables and accruals		(20,897)	(22,631)
Increase in deferred income		1,185	–
Cash generated from operations		206,057	144,476
Interest received		9,268	8,301
Income tax paid		(45,775)	(24,026)
Net cash flows from operating activities		169,550	128,751

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Net cash flows from operating activities	169,550	128,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(23,619)	(30,447)
Purchases of items of intangible assets	(39)	(1,534)
Purchases of right-of-use assets	(854)	(37,890)
Proceeds from disposal of items of property, plant and equipment	481	88
Purchases of financial assets at fair value through profit or loss	(9,179)	(1,429,062)
Proceeds from sales of financial assets at fair value through profit or loss	9,179	1,458,726
Investment income/(loss) from financial assets at fair value through profit or loss	48	(23,532)
Interest received	-	4,681
Increase in time deposits with original maturity of over three months	(1,225,916)	(273,068)
Acquisition of a subsidiary	-	(19,823)
Net cash flows used in investing activities	(1,249,899)	(351,861)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares repurchased	(13,707)	(13,062)
Repayment of other borrowings	-	(5,000)
Principal portion of lease payments	(4,718)	(454)
Interest paid	(1,177)	(715)
Net cash flows used in financing activities	(19,602)	(19,231)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,099,951)	(242,341)
Cash and cash equivalents at beginning of period	1,738,963	2,177,833
Effect of foreign exchange rate changes, net	24,732	58,534
CASH AND CASH EQUIVALENTS AT END OF PERIOD	663,744	1,994,026
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	3,002,425	3,056,468
Time deposits with original maturity of over three months when acquired	(2,338,681)	(1,062,442)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	663,744	1,994,026

Notes to the Interim Condensed Consolidated Financial Information

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 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.

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 new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKAS 1 and HKFRS Practice Statements 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 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 HKFRS 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 but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 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.

Notes to the Interim Condensed Consolidated Financial Information

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 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 amendments did not have any significant impact on the Group's financial statements.
- (d) Amendments to *HKAS 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. The Group has applied the amendments retrospectively. 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

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue from contracts with customers	403,589	332,321

Notes to the Interim Condensed Consolidated Financial Information

4. REVENUE, OTHER INCOME AND GAINS (Continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregated revenue information

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Type of goods or services		
Sale of medical instruments	403,589	332,321
Geographical markets		
Mainland China	364,464	301,774
Other countries/regions	39,125	30,547
Total revenue from contracts with customers	403,589	332,321
Timing of revenue recognition		
Goods transferred at a point in time	403,589	332,321

(b) Performance obligation

Information about the Group's performance obligation is summarised below:

Sale of medical instruments

The performance obligation is satisfied upon acceptance of the goods and payment is generally due within one month, extending up to two to six months for certain customers.

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Bank interest income	42,636	26,530
Government grants	25,200	34,564
Foreign exchange gains, net	23,227	–
Fair value gains on financial assets at fair value through profit or loss	2,269	–
Others	443	299
	93,775	61,393

Notes to the Interim Condensed Consolidated Financial Information

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Cost of inventories sold	81,834	66,609
Impairment of trade and other receivables, net	1,647	639
Government grants	(25,200)	(34,564)
Gain on disposal of items of property, plant and equipment	(57)	(12)
Foreign exchange differences, net	(23,227)	24,153
Share-based payment expense	7,273	7,526

6. INCOME TAX

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

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

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.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Pursuant to the rules and regulations of Singapore, Singapore profits tax has been provided at the rate of 17% (2022: 17%) on the estimated assessable profits arising in Singapore during the period.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which are granted tax concessions and are taxed at preferential tax rates.

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, preferential tax treatment is available to Hangzhou Kangji Medical Instrument Ltd., since it was recognised as a High and New Technology Enterprise and was entitled to a preferential tax rate of 15% (2022: 15%) during the year. Hangzhou Kangji Suixi Medical Instrument Ltd., which operates in Mainland China, was identified as a Small and Micro Enterprise and was entitled to a preferential tax rate of 2.5% (2022: 2.5%) during the period.

Notes to the Interim Condensed Consolidated Financial Information

6. INCOME TAX (Continued)

The Group calculates the income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income are:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current – Mainland China:		
Charge for the period	36,301	37,072
Deferred	5,684	4,225
Total tax charge for the period	41,985	41,297

7. DIVIDENDS

On 27 March 2023, the final dividend of RMB18.45 cents per share, amounting to a total of approximately RMB224,498,000 was approved by the Company's shareholders at the annual general meeting and was fully paid on 10 July 2023.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of RMB255,461,000 (2021: RMB157,713,000), and the weighted average number of ordinary shares of 1,170,059,826 (six months ended 30 June 2022: 1,218,260,613) in issue during the period, as adjusted to reflect the shares held for share award arrangement and shares repurchased during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2023 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares arising from share options and RSUs granted by the Company.

The calculation of diluted earnings per share for the six months ended 30 June 2022 did not assume the exercise of all dilutive potential ordinary shares arising from share options and RSUs granted by the Company because the exercise price of these share options and RSUs was higher than the average market price for shares for the period.

Notes to the Interim Condensed Consolidated Financial Information

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	255,461	157,713

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,170,059,826	1,218,260,613
Effect of dilution-weighted average number of ordinary shares arising from share options and restricted share units	5,312,991	–
	1,175,372,817	1,218,260,613

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Carrying amount at beginning of period/year	169,020	87,585
Additions	34,549	95,083
Acquisition of a subsidiary	–	1,013
Depreciation provided during the period/year	(10,659)	(14,514)
Disposals	(424)	(166)
Exchange realignment	4	19
Carrying amount at end of period/year	192,490	169,020

Notes to the Interim Condensed Consolidated Financial Information

10. TRADE RECEIVABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade receivables	173,896	166,245
Impairment	(4,747)	(3,100)
	169,149	163,145

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to two to six months for certain customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

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 3 months	134,926	135,002
3 to 6 months	17,989	20,410
6 to 12 months	15,047	6,132
1 to 2 years	1,111	1,552
Over 2 years	76	49
	169,149	163,145

11. CASH AND CASH EQUIVALENTS

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Cash and bank balances	523,218	887,621
Time deposits	2,479,207	1,930,739
Cash and cash equivalents	3,002,425	2,818,360
Denominated in RMB	2,305,941	2,198,489
Denominated in US\$	684,168	606,656
Denominated in HK\$	12,185	13,117
Denominated in other currencies	131	98
Cash and cash equivalents	3,002,425	2,818,360

Notes to the Interim Condensed Consolidated Financial Information

11. CASH AND CASH EQUIVALENTS *(Continued)*

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

12. 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 3 months	24,922	19,151
3 to 6 months	2,497	611
6 to 12 months	979	708
Over 12 months	944	282
	29,342	20,752

Trade payables are non-interest-bearing and are normally settled on 45-day terms.

13. COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Contracted, but not provided for:		
Buildings	76,956	68,489
Plant and machinery	237	–
	77,193	68,489

Notes to the Interim Condensed Consolidated Financial Information

14. RELATED PARTY TRANSACTIONS

Detail of the Group's principal related party is as follows:

Name	Relationship
Hangzhou Kangyin Investment Ltd. ("Kangyin Investment")	An entity controlled by a director

(a) During the period, a subsidiary of the Group entered into a lease agreement to rent office premises from Kangyin Investment for a period of three years commencing from 1 January 2023, with an annual rental fee of RMB1,200,000 for the first year, RMB1,320,000 for the second year and RMB1,452,000 for the third year.

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Short term employee benefits	3,731	3,902
Pension scheme contributions	203	205
Share-based payment expense	5,275	5,334
Total compensation paid to key management personnel	9,209	9,441

15. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2023 and 31 December 2022 are as follows:

As at 30 June 2023 (unaudited)

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	169,149	169,149
Financial assets included in prepayments, other receivables and other assets	–	11,245	11,245
Financial assets at fair value through profit or loss	149,867	–	149,867
Cash and cash equivalents	–	3,002,425	3,002,425
	149,867	3,182,819	3,332,686

Notes to the Interim Condensed Consolidated Financial Information

15. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at 30 June 2023 and 31 December 2022 are as follows: (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	29,342
Lease liabilities	47,906
Financial liabilities included in other payables and accruals	257,218
	334,466

As at 31 December 2022 (audited)

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	163,145	163,145
Financial assets included in prepayments, other receivables and other assets	–	11,369	11,369
Financial assets at fair value through profit or loss	147,593	–	147,593
Cash and cash equivalents	–	2,818,360	2,818,360
	147,593	2,992,874	3,140,467

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	20,752
Lease liabilities	49,019
Financial liabilities included in other payables and accruals	45,103
	114,874

Notes to the Interim Condensed Consolidated Financial Information

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, lease liabilities and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of non-current unlisted equity investments have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the senior management to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a book value measure.

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value: As at 30 June 2023 (unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	13,661	136,206	149,867

As at 31 December 2022 (audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	13,656	133,937	147,593

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).

Definitions

“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of directors of our Company
“CG Code”	Corporate Governance Code applicable during the Reporting Period
“China,” “mainland China” or “PRC”	People’s Republic of China, excluding, for the purposes of this report and for geographical reference only and except where the context requires otherwise, Hong Kong, Macau and Taiwan
“Company”	Kangji Medical Holdings Limited (康基医疗控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on February 12, 2020, and, except where the context otherwise requires, all of its subsidiaries
“COVID-19”	an infectious disease caused by a newly discovered coronavirus (severe acute respiratory syndrome coronavirus 2)
“Director(s)”	the directors of our Company, including all executive, non-executive and independent non-executive directors
“Global Offering”	the Hong Kong public offering and the international offering of the Company
“Group”	our Company and all of its 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)
“HK\$” or “HK Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IPO”	initial public offering
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on June 29, 2020
“Listing Date”	June 29, 2020, being the date on which dealings in our Shares first commenced on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

Definitions

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“NMPA”	National Medical Products Administration (國家藥品監督管理局)
“ODM”	original design manufacture
“Pre-IPO Share Option Plan”	the employees’ share incentive plan of the Company as adopted on May 6, 2020.
“Prospectus”	the Company’s prospectus dated June 16, 2020
“R&D”	research and development
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	the six-month period from January 1, 2023 to June 30, 2023
“RSU(s)”	restricted share unit(s)
“RSU Plan”	the restricted share unit plan of the Company as adopted on May 6, 2020
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the share capital of our Company of US\$0.00001 each
“Shareholder(s)”	holder(s) of our Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD” or “US\$”	US dollar, the lawful currency of the United States of America
“VBP”	volume-based procurement