



愛康醫療控股有限公司

AK Medical Holdings Limited

(incorporated in the Cayman Islands with limited liability)
Stock Code : 1789



INTERIM REPORT

2024

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Li Zhijiang (*Chairman of the Board of Directors and Chief Executive Officer*)

Ms. Zhang Bin

Mr. Zhang Chaoyang

Ms. Zhao Xiaohong

Non-executive Director

Dr. Wang David Guowei

Independent Non-executive Directors

Mr. Kong Chi Mo

Dr. Li Shu Wing David

Dr. Gao Wei (*appointed with effect from 18 June 2024*)

Mr. Eric Wang (*retired with effect from 18 June 2024*)

COMPANY SECRETARY

Ms. Han Yu (*resigned with effect from 30 August 2024*)

Ms. Ma Rongkun (*appointed with effect from 30 August 2024*)

AUTHORIZED REPRESENTATIVES

Ms. Zhang Bin

Ms. Han Yu (*resigned with effect from 30 August 2024*)

Ms. Ma Rongkun (*appointed with effect from 30 August 2024*)

AUDIT COMMITTEE

Mr. Kong Chi Mo (*Chairman*)

Dr. Li Shu Wing David

Dr. Wang David Guowei

REMUNERATION COMMITTEE

Dr. Li Shu Wing David (*Chairman*)

Mr. Kong Chi Mo

Mr. Li Zhijiang

NOMINATION COMMITTEE

Mr. Li Zhijiang (*Chairman*)

Dr. Li Shu Wing David

Mr. Kong Chi Mo

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

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China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

AUDITOR

KPMG

Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

8th Floor, Prince's Building

10 Chater Road, Central, Hong Kong

HONG KONG LEGAL ADVISER

Mayer Brown

16th-19th Floors, Prince's Building

10 Chater Road, Central, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
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Cayman Islands

SHARE REGISTRAR IN HONG KONG

Link Market Services (Hong Kong) Pty Limited
Suite 1601, 16/F, Central Tower
28 Queen's Road Central
Central, Hong Kong

COMPANY WEBSITE

www.ak-medical.net

PRINCIPAL BANKS

Agricultural Bank of China
Bank of China
Bank of Communications
Hang Seng Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited
China Merchants Bank
Shanghai Pudong Development Bank

LISTING INFORMATION AND STOCK CODE

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 1789. HK)

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of AK Medical Holdings Limited (the “**Company**” or “**AK Medical**”) hereby announced the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), which have been reviewed by the audit committee (the “**Audit Committee**”) of the Company. The Group’s financial highlights for the Reporting Period together with comparative data for the corresponding period of the previous year are set out below:

	Six months ended 30 June		
	2024 RMB'000	2023 RMB'000	Variance %
Revenue	657,102	648,686	1.3%
Gross profit	398,480	401,565	-0.8%
Profit for the period	139,253	132,574	5.0%
Profit attributable to equity shareholders of the Company	139,253	132,574	5.0%
Earnings per share			
Basic	RMB0.12	RMB0.12	
Diluted	RMB0.12	RMB0.12	

For the six months ended 30 June 2024, the Group achieved revenue of approximately RMB657.1 million, representing a year-on-year increase of approximately 1.3% as compared to 2023. In the first half of 2024, under accelerated import substitution driven by the volume-based procurement (“**VBP**”) the demand for the Company’s surgical products continued to grow, and the sales of products covered by the national VBP further increased. Meanwhile, through active market expansion, the Company saw a continuous growth in overseas revenue in the first half of 2024. The Group achieved an approximate 5.0% increase in profit for the six months ended 30 June 2024 as compared to the six months ended 30 June 2023. The increase in profit was primarily attributable to revenue growth and cost control.

CHAIRMAN'S STATEMENT

Dear shareholders,

First of all, on behalf of the Board of the Company, thank you for your continued support for the Group.

In the first half of 2024, the industry landscape experienced rapid changes and development. During this period, the Company successfully withstood market pressure. At the end of the two-year implementation of the VBP policy, it completed the supply as scheduled and smoothly transitioned to the first renewal stage.

As of 30 June 2024, the Group achieved revenue of approximately RMB657.1 million, representing a year-on-year increase of 1.3%, and posted profit of approximately RMB139.3 million, representing a year-on-year increase of 5.0%.

AK Medical has always been guided by a long-term development strategy. For two decades, our relentless innovation has enabled us to build diversified product lines and a comprehensive technology portfolio, earning us a 3D printing technology platform and a smart navigation and robotic digital orthopedic platform. Under the backdrop of continuous reform in the medical industry, these innovative technologies have become our strong support in response to policy changes, enabling us to calmly face various challenges.

In the first half of 2024, in terms of R&D, we obtained certification for our knee joint surgery robot, filling the gap in AK Medical's knee joint smart equipment product line, and also marking AK Medical's comprehensive layout in the digital orthopedics track for hip and knee joints.

In the first half of 2024, in terms of marketing, we achieved the sale of one set of Visual Treatment Solution (VTS) system. In the overseas market, through a dual-brand strategy, we actively expanded overseas business. AK brand's joint products successfully entered into countries including Malaysia, Japan, and Spain with significant market growth. At the same time, our products have begun to be used in operations in the United Kingdom.

As a leading enterprise in artificial joints in China, AK Medical has shown excellent performance in technology, quality, and clinical aspects. Since the implementation of the VBP policy, import substitution has accelerated, and our products have further enhanced market competitiveness with affordable prices, increasing our market share in tertiary A-level hospitals.

In the second half of 2024, the renewal results of VBP will be implemented in China. We are confident that the Company will seize new growth opportunities in the upcoming VBP renewal implementation, which will further consolidate AK brand's leading position in the artificial joint industry. In the future, we will continue to delve deeply into the field of orthopedics, aiming to improve the living quality of domestic and overseas patients, achieve our mission of making you move for a better life, and give back to its shareholders, customers and society!

Li Zhijiang

Chairman

Hong Kong, 28 August 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Overview

The national VBP of artificial joints opened tender in September 2021 and was implemented in the first half of 2022. Over 500,000 patients have benefited since the implementation of the VBP two years ago.

On 21 May 2024, the National Healthcare Security Administration (“**NHSA**”) announced the results of the Renewed VBP of Artificial Joints upon expiration of agreement. The renewed procurement cycle for artificial joints was 3 years, covering more than 6,000 hospitals, with a total reported demand of 580,000 sets.

From the implementation of the first round of VBP policy for artificial joints over the past two years, it was apparent that the VBP of artificial joints had significantly increased the popularity of medical devices and effectively reduced the financial burden on patients. Based on the first round of VBP, the renewed procurement of artificial joints continued to aim at stabilising prices of consumables, ensuring supply, and meeting clinical needs by further deepening procurement rules to ensure price rationality and supply continuity. According to the renewal results, the prices of all winning manufacturers tended to be convergent, and the prices of the Group’s mainstream bid-winning products increased significantly. In the future, the joints business will return to the track of competition based on stable product quality, the ability to provide a full product portfolio from primary, complex to revision and reconstruction, continuous R&D innovation, and good service.

At the same time, actively responding to national policies, the Group continues to commit to providing high-quality products. Its high-end product 3D printed porous trabecular acetabular cup also participated in VBP, building trust in the brand among surgeons and patients. The Group adheres to its commitment to supplying high-quality products, with all product lines being rated as “performing well”, meeting the market’s demand for high-quality artificial joints. In this renewal, the Group’s products won bids across the board, maintaining the top tier in terms of hospital demand among all brands, and consolidating market share.

In the second half of 2023, driven by anti-corruption policies, the transparency and regulation of the medical industry significantly improved. In the first half of the year, the number of surgeries recovered compared to the second half of 2023.

In response to changing industry policies, the Group leveraged its rich product line system portfolio and strong R&D advantages, and adopted measures to respond actively and flexibly. As of 30 June 2024, the Group recorded sales revenue of approximately RMB657.1 million, representing an increase of approximately 1.3% compared to the same period of 2023, and profit of approximately RMB139.3 million, representing an approximate increase of 5.0% compared to the same period of 2023.

Business of Hip and Knee Implants

The business of hip and knee implants includes hip and knee products manufactured by both traditional technology and 3D printing technology. The Group offers customers and patients a full line of joint implants manufactured by different technologies, including hip and knee implants and instruments suitable for primary, complicated, revision and reconstructive operations.

In the first half of 2024, the surgery volume of hip and knee joint implants recovered compared to the previous half year due to anti-corruption campaign. AK Medical’s regular products in the scope of VBP, combined with high-end 3D printed products, gained market recognition with excellent reputation. The results of import substitution were remarkable, and the contribution of surgery volume in tertiary hospitals had increased year by year. In particular, the Group’s market share in the surgical implant market significantly increased in economically developed provinces traditionally dominated by import brands, such as Guangdong, Shanghai, and Zhejiang, covering most of the key hospitals in these regions. For the six months ended 30 June 2024, the Group’s revenue from hip and knee products was approximately RMB555.2 million, a year-on-year increase of 0.5%.

Spinal and Trauma Implants Business

The Group has a complete line of conventional spinal and trauma products, as well as 3D printed spinal products. With its unique 3D printing technology, the Group has developed a differentiated product portfolio.

On one hand, the Company iterates 3D printing technology to provide comprehensive solutions for spinal fusion surgeries. In the first half of 2024, the Group launched the second generation of 3D printed spinal products with bioactive functions, 3DACT Bio. The product, developed based on the Group's patented 3DACT Bio technology, represents a new generation of 3D printed functionalised titanium alloy implants. It achieves a breakthrough in the development from bio-inert to bioactive functionalised 3D printed porous titanium alloy implants, marking a leap forward in the upgrade of orthopedic implants.

On the other hand, the Group continues to explore the application of 3D printing customisation technology for different indications and body parts in the field of spine and trauma to meet various customer needs. With its unique 3D printed cervical products and zero-incision ACCF procedures, the Group has successfully led the acceleration of import substitution. The number of 3D spinal products implanted in national and provincial key hospitals has significantly increased.

For the six months ended 30 June 2024, the Group's revenue from spinal and trauma implants reached approximately RMB69.1 million, a year-on-year increase of 37.6%.

Customised Products and Services

In the first half of 2024, impacted by medical insurance policies, the Group's income from customised product and services reached RMB16.5 million, a decrease of 40.6% compared to the first half of 2023.

To compensate the domestic business contraction, the Group successfully expanded into overseas markets with its ICOS personalised customisation service strategy, providing more than 20 customised prostheses to Mexico, Pakistan, and Hong Kong, receiving high praise. This marks a new breakthrough in the field of international customised products and services and helps the Company establish a good brand image overseas.

Research and Development

In the first half of 2024, the Group made significant progress in the field of innovative products, with the successful certification of the knee joint surgery robot. This not only filled the gap in the Company's product line of intelligent knee joint equipment but also marked the completion of the Group's comprehensive layout in the digital orthopedics field for hip and knee joints. Previously, the Visual Treatment Solution (VTS) system and the iBot hip surgery robot system gained widespread recognition from doctors in clinical applications, especially in handling complex hip surgeries and revision surgeries.

In the field of implants, the Company's newly approved 3D printed acetabular cup and interbody cage are ones of the second generation of 3D printed products, where active substances are added on the basis of 3D printed bone trabecula with a special micro-nano structure, realising the upgrade from bioinertness to bioactivity, and further promoting the advancement of orthopedic implant technology.

As of 30 June 2024, the Group has obtained 414 patents for invention, 612 patents for utility models and 56 authorised PCT patents.

Sales and Marketing

In the context of the current anti-corruption campaign, the National Health Commission (“**NHC**”) stated that academic conferences that comply with national regulations and operate in a standardised manner should be fully supported and encouraged.

As one of the enterprises with strong R&D capabilities in the healthcare industry, the Group has always complied with industry regulations and actively responded to the call of the NHC, shouldering industry responsibilities and holding academic conferences and exchanges in compliance with regulations. In terms of promotion of new products and new technologies, the Group has always complied with relevant regulations and held compliant academic conferences to enhance medical professionals’ knowledge and understanding of innovative products.

In the first half of 2024, the Group held a series of academic conferences, with an aim to strengthen academic exchanges and promote the dissemination of medical knowledge through these platforms, while providing medical professionals with opportunities to deeply understand and master the latest medical technologies.

Joins Business

In the first half of 2024, the Company achieved remarkable results in joints market promotion work. Through continuous product innovation and a series of market activities, the Company successfully promoted the implantation of new products and achieved good market response. For example, the innovative unicodyle product HAUK and the 3D printed product system for the treatment of congenital hip dislocation have both been recognised by the market.

In addition, the Group also provided doctors with professional training and exchange platforms by organising a number of academic activities, such as the digital orthopedic technology capability improvement pilot training course, the “Way to the Congenital Hip” – Congenital Hip Seminar, and the national series of online ward rounds by the Knee Preservation Alliance. In particular, four sessions of the “Way to the Congenital Hip” – Congenital Hip Seminar were held, training more than 60,000 doctors, and more than 50 hospitals participated in the project. The national series of online ward rounds by the Knee Preservation Alliance was held 10 times, covering 12 provinces and regions and training nearly 100,000 doctors, which promoted the development and implantation at more than 40 hospitals. These measures helped enhance the Company’s influence and competitiveness in the joints market and make positive contributions to the industry development.

Spine Business

The Company takes the 3D printing technology as a traction and actively promotes the increase of its market share of 3D printed spine products. With unique technical advantages and clinical efficiency, its 3D printed spine products were newly introduced to 56 hospitals in the first half of 2024, including 30 provincial hospitals, achieving a rapid growth in the surgical implantation.

Moreover, in the first half of 2024, the Group convened a zero-incision ACCF seminar and an APOLLO multi-centre research conference for expert experience sharing and exchange, covering a total of approximately 900 hospitals, promoting industry exchanges in clinical technology and academic research, respectively.

Digital Orthopedics Business

In the first half of 2024, the Visual Treatment Solution (VTS) System Seminar and VTS System Launching Ceremony at Beijing Friendship Hospital was grandly held at Tongzhou Campus of Beijing Friendship Hospital, Capital Medical University. As its first commercial installation, the VTS system marks its major milestone for the Group in the field of digital orthopedics. The successful installation of the system will provide strong technical support for improving the quality and efficiency of medical services and further promote the digital transformation of the medical industry.

In the first half of 2024, the Group's visual intelligent navigation system became the core training tool for the VTS Tutorials series of activities organised by the Capacity Building and Continuing Education Centre of the NHC. This series of activities is an important part of the Research Project on Improving Clinical Application Capabilities of Digital Orthopedic Technology, which is committed to popularising digital orthopedic technology to provide more accurate medical services. Many top orthopedic experts in China gathered to share their valuable experience and cases in customised and digital orthopedic application, passing on knowledge. Experts gave in-depth speeches and discussions on cutting-edge topics such as hip and knee joints customisation, mirror image reconstruction theory, and VTS-assisted congenital hip.

As of 30 June 2024, the Group achieved the sale of one Visual Treatment Solution (VTS) system and was following up on multiple potential orders.

Overseas Business

In the first half of 2024, the Group actively expanded its overseas business under the brands of AK and JRI, and the joints business successfully entered into countries including Malaysia, Japan and Spain, showing significant market growth. AK Medical-branded joints products also began to be used in operations in the United Kingdom. By establishing close cooperative relationships with overseas doctors, the Company invited medical groups comprising approximately 50 doctors from multiple countries to China to participate in training and exchanges, which effectively improved their surgical skills and the Company's brand image, and was highly recognised by the visiting doctors.

At the same time, with the support of the China International Cultural Exchange Centre, the Company launched the "International Exchange Project of the Health Silk Road" to build an academic exchange platform for domestic and foreign experts and further enhance the influence of Chinese brands in countries of the Belt and Road Initiative, while improving the international reputation of the brand and the trust among doctor customers. These measures not only strengthened the competitiveness of AK Medical in the global orthopedics field, but also laid a solid foundation for the Company's international strategy.

Prospect

Due to changes in the external environment, the orthopedic market in the PRC has experienced relatively slow growth in the past few years. However, with the constant improvement and stabilisation of policies, the orthopedic industry is expected to return to relatively rapid growth in the future. With the second-round renewal of the VBP in the joint industry, the market price gap narrowed and tended to be balanced. In the subsequent implementation, enterprises with fewer winning bids and no advantageous product portfolios would face survival challenges, resulting in accelerating industry integration and concentration of resources on leading enterprises. As foreign brands lose their previous high premium advantage, their service channels become limited and operating pressure increases, providing opportunities for domestic brands to replace them. In addition, the cost-effectiveness advantage and stable product quality of "Made in China" have created new development opportunities in the international market for the Group.

The Group will make strategic adjustments in a timely manner to adapt to the industrial changes after the VBP, including but not limited to:

1. *Increasing the market share of the middle and high-end markets led by digital orthopedic technology*

In recent years, the Group has vigorously developed orthopedic implant digital manufacturing technology, and promoted the application of “orthopedic digital intelligent surgery”.

In response to the demand for precise orthopedic clinical diagnosis and treatment, the Group has developed a hip surgery navigation system, a hip surgery robot system and a knee surgery robot system. Combined with the Group’s own 3D printed hip joint prosthesis system and knee joint prosthesis system, as well as the customised prosthesis system, the Group has established its own prosthesis (standardised prosthesis/customised prosthesis) – “orthopedic digital intelligent surgery” equipment full-chain independent intellectual property technology route. The promotion and application of “orthopedic digital intelligent surgery” equipment will further enhance the share of the Group’s orthopedic implant products in the middle and high-end markets domestically while improving brand stickiness.

2. *Vigorously expanding overseas markets with the advantage of dual brands*

The scale advantage of Made in China is becoming the key to the Group’s overseas market expansion. Leveraging the brand reputation and academic resources of JRI, the Group actively establishes close ties with terminal doctors around the world. The Company introduces innovative products, digital products and customised services to emerging markets, and builds its brand image with rapid service response, cost-effectiveness and excellent product quality.

The Group will make use of the advantages of “Made in China”, combine with the strength of international brands, and leverage the national Belt and Road Initiative to invest more resources in overseas markets and participate in international competition.

3. *Consolidating the Group’s position as one of the leading companies in domestic orthopedics industry and strengthening the Group’s image as an innovative practitioner of orthopedics*

The Group is committed to consolidating its position as one of the leading companies in domestic orthopedics industry, and strengthening its image as an innovative practitioner of orthopedics. As one of the leading brands in domestic joint field, the Group has launched strategic products such as “Joint Master” and “Spinal Fusion Master” to meet clinical needs with excellent products and increase market share. Meanwhile, the Group will continue to promote the commercialisation of digital orthopedic technology, and conduct strategic deployment in the new fields of biological materials and small joints of extremities. By deepening cooperation with basic research institutions, the Group is committed to promoting innovative development in the field of orthopedics and further consolidating its position as an innovative leader in the industry. These initiatives not only demonstrate the Group’s commitment to orthopedic innovation, but also inject new vitality into the Group’s long-term development.

FINANCIAL REVIEW

Overview

	Six months ended 30 June		
	2024 RMB'000	2023 RMB'000	Variance %
Revenue	657,102	648,686	1.3%
Gross profit	398,480	401,565	-0.8%
Profit for the period	139,253	132,574	5.0%
Profit attributable to equity shareholders of the Company	139,253	132,574	5.0%
Earnings per share			
Basic	RMB0.12	RMB0.12	
Diluted	RMB0.12	RMB0.12	

For the six months ended 30 June 2024, the Group achieved revenue of approximately RMB657.1 million, representing a year-on-year increase of approximately 1.3% as compared to 2023. In the first half of 2024, under accelerated import substitution driven by the VBP, the demand for the Company's surgical products continued to grow, and the sales of products covered by the national VBP further increased. Meanwhile, through active market expansion, the Company saw a continuous growth in overseas revenue in the first half of 2024. The Group achieved an approximate 5.0% increase in profit for the six months ended 30 June 2024 as compared to the six months ended 30 June 2023. The increase in profit was primarily attributable to revenue growth and cost control.

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

Revenue

	Six months ended 30 June		
	2024 RMB'000	2023 RMB'000	Variance %
Hip replacement implants ⁽¹⁾	359,357	341,496	5.2%
Knee replacement implants ⁽²⁾	195,804	210,959	-7.2%
Spinal and trauma implants ⁽³⁾	69,056	50,201	37.6%
Customised products and services ⁽⁴⁾	16,500	27,782	-40.6%
Others ⁽⁵⁾	16,385	18,248	-10.2%
Total	657,102	648,686	1.3%

Notes:

- (1) Including 3D-printed hip replacement implants;
- (2) Including 3D-printed knee replacement implants;
- (3) Including 3D-printed spinal and trauma implants;
- (4) Including customised joint, pelvic, spinal and trauma implant products and customised value-added surgical services;
- (5) Others primarily include surgical instruments, medical irrigators, third party orthopedic products and Visual Treatment Solution (VTS) system

Revenue for the six months ended 30 June 2024 amounted to RMB657.1 million, representing an increase of 1.3% from RMB648.7 million for the six months ended 30 June 2023. The increase in revenue was largely attributable to the boost in the sales of hip and knee replacement implant products covered by the national VBP for joint implants. Meanwhile, through active market expansion, the Company saw a continuous growth in overseas revenue.

Hip and Knee Replacement Implant Products

The hip and knee replacement implant products include knee replacement implants and hip replacement implants, as well as 3D-printed hip and knee replacement implants.

Revenue from hip replacement implants for the six months ended 30 June 2024 amounted to approximately RMB359.4 million, representing an increase of 5.2% from approximately RMB341.5 million for the six months ended 30 June 2023. Revenue from knee replacement implants for the six months ended 30 June 2024 amounted to approximately RMB195.8 million, representing a decrease of 7.2% from approximately RMB211.0 million for the six months ended 30 June 2023.

In the first half of 2024, as the implementation of the VBP deeply progressed, the demand for the Company's surgical products kept growing, leading to a continuous growth in sales revenue from hip and knee replacement implant products in the scope of VBP. However, the sales volume and revenue of unicondyle implant products outside the scope of VBP decreased. In the meantime, the Group achieved continuous growth in overseas revenue from its hip and knee replacement implant products through active market expansion.

Spinal and Trauma Implant Products

Our spinal and trauma implant products include traditional spinal implants and trauma implants, as well as 3D-printed spinal implants. Revenue from spinal and trauma implant products for the six months ended 30 June 2024 amounted to approximately RMB69.1 million, representing a significant increase of 37.6% from approximately RMB50.2 million for the six months ended 30 June 2023. During the first half of 2024, the Company was highly recognised for the innovation and functional superiority of its 3D printing technology and its ever-expanding spinal product line, which further facilitated the implantation of spinal products and the significant increase in sales volume.

Customised Products and Services

Revenue from customised products and services include revenue from customised joint, pelvic, spinal and trauma implant products and customised value-added surgical services. Impacted by the medical insurance policies, revenue from customised products and services for the six months ended 30 June 2024 amounted to approximately RMB16.5 million, representing a significant decrease of 40.6% from approximately RMB27.8 million for the six months ended 30 June 2023. Despite falling revenue, the Group leveraged its technical advantages in 3D-printed customised products and value-added surgical services to successfully extend its customised surgeries to a number of hospitals.

Others

Other revenue includes revenue from surgical instruments, medical irrigators, third party orthopedic products, and Visual Treatment Solution (VTS) system. For the six months ended 30 June 2024 and the six months ended 30 June 2023, our revenue from surgical instruments and third-party orthopedic products amounted to RMB16.4 million and RMB18.2 million, representing 2.5% and 2.8% of our revenue, respectively.

Domestic and Overseas Sales

The vast majority of our revenue is generated in China, with a smaller percentage derived from overseas sales. A breakdown of our domestic and overseas sales revenue is set forth below:

	Six months ended 30 June		
	2024 RMB'000	2023 RMB'000	Variance %
China	533,811	535,236	-0.3%
Other countries	123,291	113,450	8.7%
Total	657,102	648,686	1.3%

For the six months ended 30 June 2024, our overseas sales revenue amounted to approximately RMB123.3 million, representing a year-on-year increase of 8.7%. The increase was primarily due to the rise in the volume of surgeries in the first half of 2024 as a result of the Company's active expansion of overseas markets. Revenue from China for the six months ended 30 June 2024 amounted to approximately RMB533.8 million, representing a year-on-year decrease of 0.3%.

Cost of Sales

For the six months ended 30 June 2024, the cost of sales was approximately RMB258.6 million, representing an increase of 4.7% from approximately RMB247.1 million for the six months ended 30 June 2023. The increase in cost of sales was primarily due to an increase in the sales volume of our products.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of sales. Gross profit for the six months ended 30 June 2024 amount to approximately RMB398.5 million, representing a decrease of 0.8% as compared to approximately RMB401.6 million for the six months ended 30 June 2023. The decrease in gross profit was primarily due to the decrease in gross margin. The decrease in gross margin was primarily due to changes in product sales structure.

Gross margin is calculated as gross profit divided by revenue. Our gross margin was 60.6% for the six months ended 30 June 2024, a decrease of 1.3% from 61.9% for the six months ended 30 June 2023. The proportion of revenue from products covered by the VBP increased, which led to a slight drop in gross margin.

Other Income, Net

Other income for the six months ended 30 June 2024 was approximately RMB2.9 million, representing an increase of approximately RMB1.9 million from approximately RMB1.0 million for the six months ended 30 June 2023. Other income for the six months ended 30 June 2024 mainly represents income from VAT input tax deductions, government subsidy income and grants for research and development projects received.

Selling and Distribution Expenses

Selling and distribution expenses were approximately RMB113.0 million for the six months ended 30 June 2024, representing a decrease of 3.7% from approximately RMB117.4 million for the six months ended 30 June 2023. The slight decrease in selling expenses was mainly due to the fact that marketing and promotion activities decreased in the first half of the year.

General and Administrative Expenses

General and administrative expenses amounted to approximately RMB72.3 million for the six months ended 30 June 2024, representing a decrease of 3.8% from approximately RMB75.2 million for the six months ended 30 June 2023. The decrease was primarily due to the Company's proactive cost control.

Research and Development Expenses

Research and development expenses for the six months ended 30 June 2024 were approximately RMB63.6 million, representing a decrease of 4.1% from approximately RMB66.3 million for the six months ended 30 June 2023. The slight decrease was primarily related to the progress arrangements of the Company's R&D projects. The Company will continue to actively invest in R&D, strengthen its R&D team, actively implement R&D projects, as well as develop new products.

Net Finance Income

Net finance income was approximately RMB10.0 million for the six months ended 30 June 2024, representing a decrease of approximately RMB4.3 million from approximately RMB14.3 million for the six months ended 30 June 2023. The decrease in finance income was primarily due to the increase in foreign exchange losses as a result of exchange rate movements.

Income Tax Expenses

Income tax expense was approximately RMB23.3 million for the six months ended 30 June 2024, representing a decrease of 8.4% from approximately RMB25.4 million for the six months ended 30 June 2023. The decrease was primarily due to a decrease in profit tax rate for the Company following Libeier, a subsidiary of the Group, being certified as a New and High Technology Enterprise.

Liquidity and Financial Resources

As at 30 June 2024, we had cash and cash equivalents of approximately RMB561.9 million, structured deposits of approximately RMB190.4 million, short-term time deposits over 3 months of approximately RMB30.3 million and restricted deposits of approximately RMB8.2 million, amounting to RMB790.8 million in aggregate, as compared with approximately RMB757.4 million as at 31 December 2023. The Group's cash and cash equivalents were mainly denominated in RMB, US dollars and Hong Kong dollars. Bank loans were denominated in RMB. The Board's approach to manage the liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

Net Current Assets

We had net current assets of approximately RMB1,502.2 million as at 30 June 2024, representing an increase of approximately RMB25.6 million from approximately RMB1,476.6 million as at 31 December 2023. Such increase was primarily generated by the Group's operation.

Foreign Exchange Exposure

Our principal business is conducted in China. Foreign currency risks primarily include accounts receivables, accounts payables and cash balances that are denominated in foreign currencies, i.e. a currency other than the functional currency of the operations to which the transaction relates generating from overseas sales and purchases. The foreign currencies giving rise to this risk are primarily US dollars and Euro. For the six months ended 30 June 2024, the Group recorded a net exchange loss of approximately RMB0.9 million, as compared to an exchange gain of approximately RMB3.4 million for the six months ended 30 June 2023. So far, the Group has not had any hedging arrangements to manage foreign exchange risks, but has been actively monitoring and overseeing such risks.

Capital Expenditure

For the six months ended 30 June 2024, the Group's total capital expenditure amounted to approximately RMB80.3 million, which was primarily used for (i) plant construction; (ii) purchase of patents; (iii) purchase of equipment, instruments and software for manufacturing and R&D activities.

Charge of Assets/Pledge of Assets

As at 30 June 2024, the Group mainly pledged a deposit of approximately RMB189.5 million in the pledged deposits account to obtain a bank loan for new plant construction (as of 31 December 2023: approximately RMB184.1 million), and bills receivable of approximately RMB26.4 million and restricted deposits of approximately RMB8.2 million were used to be pledged for bills payable (as of 31 December 2023: bills receivable of RMB18.8 million and restricted deposits of RMB5.2 million), amounting to approximately RMB224.1 million in aggregate. Other than the above, we did not have any charge or pledge of assets.

Borrowings and Gearing Ratio

As at 30 June 2024, the balance of our short-term bank loans of approximately RMB30.4 million (as of 31 December 2023: RMB21.4 million) and the balance of our long-term borrowings of approximately RMB33.0 million (as of 31 December 2023: RMB32.3 million) were invested in the construction of the new plant. Our loan term was not more than 3 years, and the borrowing rate was 2.8%-3.0%. Gearing ratio represents the percentage of bank borrowings to total equity. As of 30 June 2024, the gearing ratio of the Group was 2.5% (as of 31 December 2023: 2.2%).

Contingent Liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities (as at 31 December 2023: Nil).

Significant Investments

The Group did not hold any significant investments in the equity interests of any other companies as at 30 June 2024.

Material Acquisitions and Disposals

During the six months ended 30 June 2024, the Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures.

Future Plans for Material Investments and Capital Assets

As at 30 June 2024, the Group had two projects under construction: a new office park in the eastern part of Changping New City and a new plant in Changzhou West Taihu Lake Park. Subject to the actual situation at the relevant time, the Company currently expects to provide funding for the two projects through the use of internal funds and/or external funds. Other than the above, we have no other plans for material investments and capital assets.

Employee and Remuneration Policy

As at 30 June 2024, the Group had 974 employees (30 June 2023: 1,082 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended 30 June 2024 amounted to approximately RMB123.2 million (for the six months ended 30 June 2023: approximately RMB125.1 million). The decrease in staff remuneration expenses was largely due to a decrease in the number of employees.

Remuneration is determined with reference to performance, skills, qualifications and experience of the employees concerned and in accordance with the prevailing industry practice. In addition to salary payments, other staff benefits include social insurance and housing provident fund provided by the Group, performance-based compensation as well as bonus and share schemes. The Group has established the AK Medical Training System 《愛康醫療培訓制度》, aiming to develop and implement annual and quarterly training programmes for staff at different levels and positions, and covering a wide range of internal and external training courses.

Subsequent Events

No material event affecting the Group has occurred since 30 June 2024 and up to the date of this interim report.

REVIEW REPORT



Review report to the board of directors of AK Medical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 18 to 33 which comprises the consolidated statement of financial position of AK Medical Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as of 30 June 2024 and the related consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

28 August 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2024 – unaudited
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	3	657,102	648,686
Cost of sales		(258,622)	(247,121)
Gross profit		398,480	401,565
Other income, net		2,904	1,048
Selling and distribution expenses		(113,007)	(117,407)
General and administrative expenses		(72,308)	(75,171)
Research and development expenses		(63,575)	(66,325)
Operating profit		152,494	143,710
Net finance income	5	10,030	14,278
Profit before taxation	4	162,524	157,988
Income tax	6	(23,271)	(25,414)
Profit for the period		139,253	132,574
Profit attributable to equity shareholders of the Company		139,253	132,574
Other comprehensive income items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of entities outside Chinese Mainland		1,260	17,710
Other comprehensive income, net of tax		1,260	17,710
Total comprehensive income		140,513	150,284
Total comprehensive income attributable to equity shareholders of the Company		140,513	150,284
Earnings per share			
Basic	7(a)	RMB0.12	RMB0.12
Diluted	7(b)	RMB0.12	RMB0.12

The notes on pages 23 to 33 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14(b).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 – unaudited
(Expressed in RMB)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	8	643,726	574,970
Intangible assets		83,400	87,966
Goodwill		113,411	113,411
Deferred tax assets		68,933	67,260
Pledged and time deposits		190,031	184,601
		1,099,501	1,028,208
Current assets			
Inventories	9	599,112	595,514
Trade receivables	10	520,114	451,401
Bills receivable	10	90,215	78,777
Deposits, prepayments and other receivables		69,331	87,207
Other financial assets	15	194,958	395,455
Pledged and time deposits		38,487	35,245
Cash and cash equivalents	11	561,872	331,217
		2,074,089	1,974,816
Current liabilities			
Trade payables	12	104,101	151,451
Bills payable		34,729	23,470
Contract liabilities		95,081	85,299
Accruals and other payables		272,887	184,724
Bank loans	13	30,375	21,394
Lease liabilities		13,952	14,239
Current taxation		20,755	17,596
		571,880	498,173
Net current assets		1,502,209	1,476,643
Total assets less current liabilities		2,601,710	2,504,851

The notes on pages 23 to 33 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 – unaudited

(Expressed in RMB)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current liabilities			
Deferred income		16,369	10,425
Other payables		2,833	5,926
Lease liabilities		13,491	16,311
Bank loans	13	33,037	32,259
Deferred tax liabilities		45,906	48,027
		111,636	112,948
NET ASSETS			
		2,490,074	2,391,903
Capital and reserves			
Share capital	14(a)	9,512	9,508
Reserves		2,480,562	2,382,395
Total equity attributable to equity shareholders of the Company		2,490,074	2,391,903
TOTAL EQUITY		2,490,074	2,391,903

The notes on pages 23 to 33 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2024 – unaudited
(Expressed in RMB)

	Note	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2023		9,453	1,008,641	(49,833)	55,174	11,978	(4,769)	1,213,117	2,243,761
Total comprehensive income for the period		-	-	-	-	-	17,710	132,574	150,284
Equity settled share-based transactions		-	-	-	-	4,751	-	-	4,751
Shares issued under share option scheme		48	11,660	-	-	(4,048)	-	-	7,660
Unlock of restricted shares		-	(261)	1,141	-	(880)	-	-	-
Dividends declared	14(b)	-	(61,426)	-	-	-	-	-	(61,426)
Balance at 30 June 2023		9,501	958,614	(48,692)	55,174	11,801	12,941	1,345,691	2,345,030
Balance at 1 January 2024		9,508	960,982	(48,692)	55,174	11,004	8,706	1,395,221	2,391,903
Total comprehensive income for the period		-	-	-	-	-	1,260	139,253	140,513
Equity settled share-based transactions		-	-	-	-	3,161	-	-	3,161
Shares issued under share option scheme		4	3,003	-	-	(2,519)	-	-	488
Dividends declared	14(b)	-	-	-	-	-	-	(45,991)	(45,991)
Balance at 30 June 2024		9,512	963,985	(48,692)	55,174	11,646	9,966	1,488,483	2,490,074

The notes on pages 23 to 33 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2024 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Operating activities		
Cash generated from operations	120,761	38,920
Tax paid	(23,907)	(24,562)
Net cash generated from operating activities	96,854	14,358
Investing activities		
Acquisition of property, plant and equipment and intangible assets	(80,348)	(113,096)
Uplift of structured deposits and time deposits	906,000	1,000,890
Placement of structured deposits and time deposits	(706,000)	(1,052,408)
Other cash flows arising from investing activities	13,021	8,242
Net cash generated from/(used in) investing activities	132,673	(156,372)
Financing activities		
Capital element of lease rentals paid	(7,217)	(5,840)
Interest element of lease rentals paid	(666)	(864)
Proceeds from bank loans	20,000	33,000
Repayments of bank loans	(10,394)	–
Borrowing costs paid	(775)	–
Proceeds from equity settled share-based payment	488	6,241
Net cash generated from financing activities	1,436	32,537
Net increase/(decrease) in cash and cash equivalents	230,963	(109,477)
Cash and cash equivalents at 1 January	331,217	625,829
Effect of movements in exchange rates on cash hold	(308)	9,436
Cash and cash equivalents at 30 June	561,872	525,788

The notes on pages 23 to 33 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000 unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 28 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRS Accounting Standards.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 17.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements. The Company’s annual consolidated financial statements for the year ended 31 December 2023 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 26 March 2024.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current (“2020 amendments”)*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants (“2022 amendments”)*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group’s results and financial position for the current period have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
– Hip replacement implants	359,357	341,496
– Knee replacement implants	195,804	210,959
– Spinal and trauma implants	69,056	50,201
– Customised products and services	16,500	27,782
– Others (i)	16,385	18,248
	657,102	648,686
Disaggregated by geographical location of customers		
– China	533,811	535,236
– United Kingdom	27,586	25,760
– Other countries	95,705	87,690
	657,102	648,686

(i) Others primarily include surgical instruments, medical irrigators, third party orthopedic products and Visual Treatment Solution (VTS) system.

The Group's customer base is diversified. There was no customer with whom transactions have exceeded 10% of the Group's revenue during the six months ended 30 June 2023 and 2024.

3 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Information about profit or loss, assets and liabilities

The Group manages its businesses by geographical location in which the entities operate. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments. No operating segments have been aggregated to form the following reportable segments:

For the six months ended 30 June	Orthopedic implants – China		Orthopedic implants – United Kingdom		Total	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
Revenue from external customers	597,257	601,061	59,845	47,625	657,102	648,686
Inter-segment revenue	756	1,371	20,203	25,845	20,959	27,216
Reportable segment revenue	598,013	602,432	80,048	73,470	678,061	675,902
Reportable segment profit/(loss)	162,186	164,621	1,160	(6,205)	163,346	158,416
As at 30 June/31 December						
Reportable segment assets	2,748,182	2,380,775	177,505	168,241	2,925,687	2,549,016
Reportable segment liabilities	599,619	525,029	33,224	29,176	632,843	554,205

The measure used for reportable segment profit/(loss) is "reportable segment profit/(loss) before taxation".

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Reportable segment profit	163,346	158,416
Elimination of inter-segment profit	(822)	(428)
Consolidated profit before taxation	162,524	157,988

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Amortisation of intangible assets	10,125	7,257
Depreciation of property, plant and equipment	31,445	37,057
Impairment losses of impairment on trade receivables	8,022	10,706
Cost of inventories	249,449	244,184

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000 unless otherwise indicated)

5 NET FINANCE INCOME

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest income from bank deposits and investments in structured deposit	11,597	11,764
Foreign currency exchange (loss)/gain	(901)	3,378
Interest on lease liabilities	(666)	(864)
	10,030	14,278

6 INCOME TAX

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Current tax – the PRC Enterprise Income Tax	27,066	26,451
Deferred tax	(3,795)	(1,037)
	23,271	25,414

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

The Group has no assessable profit in Hong Kong during the reporting period and is not subject to any Hong Kong profits tax. Hong Kong profits tax rate during the relevant periods is 16.5%. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

Taxation on profits outside Hong Kong has been calculated on the estimated assessable profits for the six months ended 30 June 2024 at the rates of taxation prevailing in the countries in which the Group operates.

Applicable statutory enterprise income tax rate of PRC subsidiaries of the Company for the six months ended 30 June 2024 are 25% (six months ended 30 June 2023: 25%). According to the relevant PRC income tax law, the Company's subsidiaries, Beijing AKEC Medical Co., Ltd. ("**AK Medical Beijing**"), ITI Medical Co., Ltd. ("**ITI Medical**") and Beijing Libeier Bio-engineering Institute Co., Ltd. ("**Libeier**") were certified as New and High Technology Enterprises, and are entitled to a preferential income tax rate of 15%. The current certification of New and High Technology Enterprise held by AK Medical Beijing, ITI Medical and Libeier will be expired on 25 October 2026, 5 November 2026 and 25 October 2026, respectively.

Taxation for subsidiaries operating mainly in the England and Wales were calculated at statutory enterprise income tax rate of 19% for the six months ended 30 June 2024 (six months ended 30 June 2023: 19%).

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB139,253,000 (six months ended 30 June 2023: RMB132,574,000) and the weighted average of 1,115,609,335 ordinary shares (2023: 1,110,994,484 shares) in issue during the reporting period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB139,253,000 (six months ended 30 June 2023: RMB132,574,000) and the weighted average of 1,117,878,539 ordinary shares (2023: 1,119,973,096 shares).

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2024, the Group entered into a number of lease agreements are used for offices. Therefore recognised the additions to right-of-use assets of RMB4,116,000 (six months ended 30 June 2023: RMB5,612,000).

(b) Acquisitions of owned assets

During the six months ended 30 June 2024, the Group acquired items of property, plant and machinery with a total cost of RMB104,451,000 (six months ended 30 June 2023: RMB109,677,000).

9 INVENTORIES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Raw materials	189,742	133,998
Work in progress	93,813	72,882
Finished goods	315,557	388,634
	599,112	595,514

10 BILLS RECEIVABLE/TRADE RECEIVABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Bills receivable	90,215	78,777
Trade receivables	573,128	496,393
Less: allowance for credit loss	(53,014)	(44,992)
	520,114	451,401

As at 30 June 2024, approximately RMB26,422,000 (31 December 2023: RMB18,771,000) of bills receivable was pledged for bills payable.

10 BILLS RECEIVABLE/TRADE RECEIVABLES (Continued)

Ageing analysis

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

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Current to 3 months	298,755	188,537
4 to 6 months	51,859	139,093
7 to 12 months	111,066	82,478
Over 12 months	58,434	41,293
Trade receivables, net of loss allowance	520,114	451,401

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

11 CASH AND CASH EQUIVALENTS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Cash at banks	561,854	331,211
Cash on hand	18	6
Cash and cash equivalents in the consolidated statement of financial position and condensed consolidated cash flow statement	561,872	331,217

12 TRADE PAYABLES

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 3 months	66,415	104,965
4 to 6 months	20,147	29,662
7 to 12 months	12,138	12,708
1 year to 2 years	4,540	3,506
Over 2 years	861	610
	104,101	151,451

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(Expressed in RMB'000 unless otherwise indicated)

13 BANK LOANS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Current		
Secured bank loans	30,375	21,394
Non-current		
Secured bank loans	33,037	32,259
	63,412	53,653

As at 30 June 2024, the Group had bank loans of RMB63,412,000 (31 December 2023: RMB53,653,000), and the bank loans were secured by the Group's non-current pledged deposits of United States Dollars ("US\$") 26,594,000 (approximately RMB189,531,000) (31 December 2023: US\$25,993,000 (approximately RMB184,101,000)).

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	2024		2023	
	No. of shares	Amount RMB'000	No. of shares	Amount RMB'000
Authorised-ordinary shares of HK\$0.01 each:				
At 1 January and 30 June	20,000,000,000	168,981	20,000,000,000	168,981
Ordinary shares, issued and fully paid:				
At 1 January	1,121,896,437	9,508	1,115,750,000	9,453
Shares issued under share option scheme	400,000	4	5,421,056	48
At 30 June	1,122,296,437	9,512	1,121,171,056	9,501

(b) Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$4.5 cents per ordinary share (2023:HK\$6.0 cents per ordinary share)	46,079	62,023

14 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Equity settled share-based transactions

On 30 June 2024, the Group had the following share-based transactions arrangements.

(i) Pre-IPO share option scheme

On 17 November 2017, 36,000,000 share options were granted at a consideration of HK\$1.00 for each grantee to employees of the Group under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest in four equal batches and the grantees shall be entitled to exercise, on the first business day immediately following 1 May 2018 until 16 November 2027, if certain performance conditions are met. The exercise price is HK\$1.34.

400,000 share options (six months ended 30 June 2023: 5,025,000) were exercised and no share options (six months ended 30 June 2023: nil) were lapsed during the six months ended 30 June 2024.

(ii) Share option scheme adopted on 17 November 2017 and grants made in March 2022 and April 2023

In March 2022, 8,582,362 share options at a fair value of RMB19,930,000 were granted at a consideration of HK\$1.00 for each grantee to employees of the Group under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest in four batches and the grantees shall be entitled to exercise, on 31 March 2023 until 30 March 2032, if certain performance conditions are met. The exercise price is HK\$4.66.

In April 2023, 1,699,036 share options at a fair value of RMB8,800,000 were granted at a consideration of HK\$1.00 for each grantee to employees of the Group under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options will vest in four batches and the grantees shall be entitled to exercise, on 11 April 2024 until 11 April 2033, if certain performance conditions are met. The exercise price is HK\$10.18.

Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	2023	2022
Fair value at measurement date	HK\$4.9710 – HK\$6.9325	HK\$2.1810 – HK\$3.0340
Exercise price	HK\$10.18	HK\$4.66
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	71.53%	67.06%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	10 years	10 years
Expected dividends	0.59%	0.54%
Risk-free interest rate	3.02%	2.06%

The expected volatility is determined by the historical volatility of the Company. Expected dividend yield is based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

14 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Equity settled share-based transactions *(Continued)*

(ii) Share option scheme adopted on 17 November 2017 and grants made in March 2022 and April 2023 (Continued)

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

No share options (six months ended 30 June 2023: 396,056) were exercised and 2,056,280 share options (six months ended 30 June 2023: nil) were lapsed during the six months ended 30 June 2024.

Share option reserve will be transferred to share premium as and when such option are exercised or when they expire or be forfeited.

(d) Shares held for share award scheme

On 8 December 2020, the Company adopted a share award scheme (the “**Share Award Scheme**”), to recognise and reward the contribution of certain eligible participants to the growth and development of the Group through an award of the Company’s shares. The Share Award Scheme will be valid and effective for a period of 10 years commencing from 8 December 2020.

The Company’s shares to be granted under the Share Award Scheme was purchased and held by a trustee. The maximum number of shares to be subscribed for and/or purchased by trustee for the purpose of the scheme shall not exceed 10% of the total number of issued shares as at the adoption date.

In March 2022, the Company granted 838,784 to the Group’s executives and employees with a fair value of RMB3,106,000. The fair value of the employee services received in exchange for the grant of shares is recognised as staff costs in profit or loss with a corresponding increase in share-based payment reserve, which is measured based on the grant date share price of the Company, taking into account the discount due to the present value of dividends expected to be paid by 0.61% to 2.36%, where applicable.

These shares unlock in four batches and the grantees shall be vested with such shares on each of 31 March 2023, 2024, 2025 and 2026 for nil consideration if certain performance conditions are met.

No shares (six months ended 30 June 2023: 149,398) were unlocked and 151,923 shares (six months ended 30 June 2023: 1,146) were lapsed during the six months ended 30 June 2024.

16 COMMITMENTS

Capital commitments outstanding as at 31 December 2023 and 30 June 2024 not provided for were as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contracted for	55,023	133,157
Authorised but not contracted for	83,834	147,020
	138,857	280,177

17 MATERIAL RELATED PARTY TRANSACTIONS

There is no material related party transaction in the six months ended 30 June 2024 and 2023, except for key management personnel remuneration. No material amounts from related parties were outstanding as at 30 June 2024 and 31 December 2023.

18 EVENTS AFTER THE REPORTING PERIOD

As of the date of the report, there was no material event occurred for the Group after the reporting period.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the shares (the “Shares”), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”)) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), were as follows:

Interest in Shares and underlying Shares of the Company

Name of Directors	Capacity/Nature of Interest	Number of Shares/ Underlying Shares (Note 1)	Approximate Percentage of Interest In the Company (Note 2)
Mr. Li Zhijiang (Notes 3 and 4)	Founder of a discretionary trust	505,157,500 (L)	45.01%
		18,352,940 (S)	1.64%
	Interest of spouse	10,125,000 (L)	0.90%
Ms. Zhang Bin (Notes 3 and 4)	Interest in a controlled corporation	10,125,000 (L)	0.90%
	Interest of spouse	505,157,500 (L)	45.01%
		18,352,940 (S)	1.64%
Mr. Zhang Chaoyang (Note 5)	Founder of a discretionary trust	58,818,500 (L)	5.24%
Ms. Zhao Xiaohong (Note 6)	Beneficial Interest	2,639,940 (L)	0.24%

Notes:

- (1) The letter “L” denotes the Directors’ long position in the Shares and the letter “S” denotes the Directors’ short position in the Shares.
- (2) The percentage is calculated based on the total number of 1,122,296,437 Shares in issue as at 30 June 2024.
- (3) Mr. Li Zhijiang, being the founder of LZY Trust who can influence how the trustee exercises his discretion, is deemed to be interested in (i) 505,157,500 long positions in the Shares; and (ii) 18,352,940 short positions in the Shares as a result of the agreements entered into with Goldman Sachs International on 17 January 2023 and 28 April 2023, respectively. In addition, Mr. Li Zhijiang is the husband of Ms. Zhang Bin. Therefore, Mr. Li Zhijiang is deemed to be interested in the Shares held by Ms. Zhang Bin pursuant to the SFO.
- (4) Ms. Zhang Bin, being the sole director of Summer Limited, is the sole shareholder of Summer Limited which holds 10,125,000 Shares. Therefore, Ms. Zhang Bin is deemed to be interested in Summer Limited’s interest in the Shares pursuant to the SFO. In addition, Ms. Zhang Bin is the wife of Mr. Li Zhijiang. Therefore, Ms. Zhang Bin is deemed to be interested in the Shares held by Mr. Li Zhijiang pursuant to the SFO.
- (5) Mr. Zhang Chaoyang, being the founder of Bamboo Trust who can influence how the trustee exercises his discretion, is deemed to be interested in 58,818,500 long position in the Shares.
- (6) Ms. Zhao Xiaohong directly holds (i) options to subscribe for 507,880 Shares pursuant to the Share Option Scheme; (ii) and 2,132,060 Shares.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2024, none of the Directors, chief executive of the Company nor their respective associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its 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 he/she was taken or deemed to have under such provisions of the SFO), (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

As at 30 June 2024, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or were otherwise notified to the Company:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares/ Underlying Shares (Note 1)	Approximate Percentage of Shareholding (Note 2)
Mr. Li Zhijiang (Notes 3 and 4)	Founder of a discretionary trust	505,157,500 (L)	45.01%
	Interest of spouse	18,352,940 (S)	1.64%
Ms. Zhang Bin (Notes 3 and 4)	Interest of a controlled corporation	10,125,000 (L)	0.90%
	Interest of spouse	505,157,500 (L)	45.01%
Ximalaya Limited (Note 3)	Beneficial owner	18,352,940 (S)	1.64%
		505,157,500 (L)	45.01%
Rainbow Holdings Limited (Note 3)	Interest in a controlled corporation	18,352,940 (S)	1.64%
		505,157,500 (L)	45.01%
Mr. Zhang Chaoyang (Note 5)	Founder of a discretionary trust	58,818,500 (L)	5.24%
Suntop Limited (Note 5)	Beneficial owner	58,818,500 (L)	5.24%
Bamboo Group Management Limited (Note 5)	Interest of a controlled corporation	58,818,500 (L)	5.24%
Trident Trust Company (HK) Limited (Notes 3 and 5)	Trustee of a discretionary trust	563,976,000 (L)	50.25%
		18,352,940 (S)	1.64%
HHLR Advisors, Ltd.	Investment manager	78,402,400 (L)	6.99%
Gaoling Fund, L.P.	Beneficial owner	71,025,000 (L)	6.33%
The Goldman Sachs Group, Inc. (Note 6)	Interest of controlled corporations	64,903,660 (L)	5.78%
		63,621,424 (S)	5.67%

OTHER INFORMATION

Name of Shareholders	Capacity/Nature of Interest	Number of Shares/ Underlying Shares (Note 1)	Approximate Percentage of Shareholding (Note 2)
Goldman Sachs (UK) L.L.C (Note 6)	Interest of controlled corporations	64,903,660 (L)	5.78%
		63,621,424 (S)	5.67%
Goldman Sachs Group UK Limited (Note 6)	Interest of controlled corporations	64,903,660 (L)	5.78%
		63,621,424 (S)	5.67%
Goldman Sachs International (Note 6)	Beneficial owner	64,903,660 (L)	5.78%
		63,621,424 (S)	5.67%

Notes:

- (1) The letter "L" denotes a person's long position in the Shares and the letter "S" denotes a person's short position in the Shares.
- (2) The percentage is calculated based on the total number of 1,122,296,437 Shares in issue as at 30 June 2024.
- (3) LZY Trust is a discretionary trust established by Mr. Li Zhijiang as settlor, with Trident Trust Company (HK) Limited acting as trustee. The beneficiaries of LZY Trust are Mr. Li Zhijiang and certain of his family members. Trident Trust Company (HK) Limited holds 100% issued share capital of Rainbow Holdings Limited, which holds 100% issued share capital of Ximalaya Limited. Therefore, each of Mr. Li Zhijiang, Trident Trust Company (HK) Limited and Rainbow Holdings Limited is deemed to be interested in Ximalaya Limited's interest in (i) 505,157,500 long positions in the Shares; and (ii) 18,352,940 short positions in the Shares as a result of the agreements entered into with Goldman Sachs International on 17 January 2023 and 28 April 2023, respectively, pursuant to the SFO.
- (4) Ms. Zhang Bin, being the sole director of Summer Limited, is the sole shareholder of Summer Limited which holds 10,125,000 Shares. Therefore, Ms. Zhang Bin is deemed to be interested in Summer Limited's interest in these Shares pursuant to the SFO. In addition, Ms. Zhang Bin is the wife of Mr. Li Zhijiang. Therefore, Ms. Zhang Bin is deemed to be interested in the Shares held by Mr. Li Zhijiang pursuant to the SFO.
- (5) Bamboo Trust is a discretionary trust established by Mr. Zhang Chaoyang as settlor, with Trident Trust Company (HK) Limited acting as trustee. Trident Trust Company (HK) Limited holds 100% issued share capital of Bamboo Group Management Limited, which holds 100% issued share capital of Suntop Limited. Therefore, each of Mr. Zhang Chaoyang, Trident Trust Company (HK) Limited and Bamboo Group Management Limited is deemed to be interested in Suntop Limited's interest in the Shares pursuant to the SFO.
- (6) Goldman Sachs International is wholly-owned by Goldman Sachs Group UK Limited, a wholly-owned subsidiary of Goldman Sachs (UK) LLC and the shares of which are wholly-owned by The Goldman Sachs Group, Inc. Therefore, each of Goldman Sachs Group UK Limited, Goldman Sachs (UK) LLC and The Goldman Sachs Group, Inc. is deemed to be interested in the Shares held by Goldman Sachs International pursuant to the SFO.

Save as disclosed above, as at 30 June 2024, so far as the Directors were aware, no other persons (other than the Directors or chief executive of the Company) or entities had any interests or a short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares (as defined under the Listing Rules), if any) during the six months ended 30 June 2024.

As of 30 June 2024, there were no treasury shares held by the Company.

DIRECTOR'S RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein (in particular, the share schemes), at no time during the six months ended 30 June 2024 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 June 2024.

SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Scheme

The Pre-IPO share option scheme was adopted pursuant to a written resolution passed by the shareholders of the Company (the "**Shareholders**") on 17 November 2017 (the "**Pre-IPO Share Option Scheme**") for the purpose of recognising the contribution of certain employees, executives and officers made or may have made to the growth of the Group and/or the listing of the Shares on the Main Board of the Stock Exchange.

The eligible participant under the Pre-IPO Share Option Scheme are the full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company or the full-time employees of any of the subsidiaries of the level of manager or above and other full-time employees of our Company or any of the subsidiaries who, in the sole opinion of the Board, have contributed or will contribute to our Company and/or any of the subsidiaries.

Except for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so has been terminated upon the listing of the Company.

As at 30 June 2024, the number of Shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 2,400,000, representing approximately 0.21% of the Shares in issue.

There is no maximum entitlement of each participant under this scheme. All share options under the Pre-IPO Share Option Scheme were granted on 17 November 2017. The exercise price of the option granted under the Pre-IPO Share Option Scheme is HK\$1.34 per Share. The exercise price was determined after taking into account (i) the exercise price per Share shall not be less than the par value of such Share; and (ii) subject to paragraph (i), the Board shall determine the exercise price at its sole discretion.

The share options granted under the Pre-IPO Share Option Scheme shall be valid for a period of ten years commencing on the date upon which such share options are granted and accepted in accordance with the rules of the Pre-IPO Share Option Scheme (the "**Option Period**").

HK\$1.00 was payable upon acceptance by each grantee as consideration for grant of the share options. The Pre-IPO Share Option Scheme commences on the listing date of the Company (i.e. 20 December 2017) (the "**Listing Date**") and ends on the tenth anniversary of the Listing Date (both dates inclusive).

The grantees to whom share options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her share options in the following manner:

(aa) For the purpose of this paragraph:

“Vesting Conditions” means (i) the revenue of the Group as shown in the audited consolidated financial statements of the Group for the relevant financial year represents an increase of 30% or more of the revenue of the Group as shown in the audited consolidated financial statements of the Group for the immediately preceding financial year (adjusted to exclude the effect of any acquisition by the Group); (ii) the profit attributed to the Shareholders as shown in the audited consolidated financial statements of the Group for the relevant financial year (adjusted to exclude the effect of the listing expenses, the share options granted, any withholding tax arising from profit generated by the Group companies in the PRC and any acquisition by the Group) represents an increase of 25% or more of the profit attributes to the Shareholders as shown in the audited consolidated financial statements of the Group for the preceding financial year (adjusted to exclude the effect of the listing expenses, the share options granted, any withholding tax arising from profit generated by the Group companies in the PRC and any acquisition by the Group); and (iii) the relevant grantee has passed the annual performance appraisal scheme established by the Group for the relevant financial year.

(bb) The share options granted to the grantees will vest in four portions and the grantees shall be entitled to exercise, on the first business day immediately following 1 May of the relevant year until the end of the Option Period (both days inclusive):

- (I) 25% of the total number of the share options granted when the Vesting Conditions are met for the first time during the Option Period;
- (II) 25% of the total number of the share options granted when the Vesting Conditions are met for the second time during the Option Period;
- (III) 25% of the total number of the share options granted when the Vesting Conditions are met for the third time during the Option Period; and
- (IV) 25% of the total number of the share options granted when the Vesting Conditions are met for the fourth time during the Option Period.

(cc) Any share options granted will lapse if the conditions for exercise under paragraph (bb) above have not been met within the Option Period.

(dd) The grantees shall enter into service contracts with the Group for a term of no less than four years from the date of grant of the share options (as the case may be).

(ee) The Board has the sole and absolute discretion to amend the relevant vesting conditions of the pre-IPO share options from time to time and the consent from each grantee has to be obtained prior to any amendment in the event that such amendment is prejudicial to such grantee.

(ff) During the Option Period, if the grantee terminates its service contract with the Group under paragraph (dd) above or commits a material breach of any restrictive covenant in respect of the Group that the grantee is subject to (e.g. a non-competition undertaking), (i) to the extent not already exercised, the share options granted to such grantee shall lapse automatically and not be exercisable, and (ii) to the extent already exercised, the Company may demand the grantee to return any entitlement or interest obtained from the exercise of the share options granted. In 2019, the Directors have resolved not to demand any grantee of the pre-IPO share options to return any entitlement or interest obtained from the exercise of the share options granted even though the grantee terminated its service contract with the Group during the Option Period, to the extent already exercised.

OTHER INFORMATION

The details of movements in the share options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2024 by category of grantees are set out below:

Category and Name of grantee (Note 1)	Date of grant of share option	Outstanding as at 1 January 2024	Granted during the six months ended 30 June 2024	Exercised during the six months ended 30 June 2024	Weighted average closing price of the shares immediately before the date on which the share options were exercised	Cancelled during the six months ended 30 June 2024	Lapsed during the six months ended 30 June 2024	Outstanding as at 30 June 2024	Exercise period of share options	Exercise price of the share options
Director										
Zhao Xiaohong	17/11/2017	-	-	-	-	-	-	-	10 years	HK\$1.34
Senior Management and Other Employees of the Group										
Senior Management and Other Employees	17/11/2017	2,800,000	-	400,000	HK\$4.45	-	-	2,400,000	10 years	HK\$1.34
Total		2,800,000	-	400,000	HK\$4.45	-	-	2,400,000		

Notes:

- (1) Save for the above disclosed, there is no other category of persons that is granted with share options and is required to be disclosed pursuant to Rule 17.07 of the Listing Rules.
- (2) For details of the exercise period, the vesting period and performance targets of the options granted under the Pre-IPO Share Option Scheme, please refer to the sub-paragraph (bb) of the paragraph headed "SHARE OPTION SCHEMES – (a) Pre-IPO Share Option Scheme" above.
- (3) During the six months ended 30 June 2024, no share options were granted under the Pre-IPO Share Option Scheme.
- (4) As the above share options were granted before listing, no closing market price is available.
- (5) The terms of the Pre-IPO Share Option Scheme are disclosed in the Company's prospectus dated 7 December 2017.

(b) Share Option Scheme

The Company adopted a share option scheme approved by the written resolution passed by the Shareholders on 17 November 2017 (the “**Share Option Scheme**”). Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 20 December 2017 (i.e. the Listing Date).

A summary of the Share Option Scheme of the Company is as follows:

1. Purpose
To recognize and acknowledge the contributions the Share Option Eligible Participants (as defined below) have had or may have made to the Group. The Share Option Scheme will provide the Share Option Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:
 - (i) motivating the Share Option Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
 - (ii) attracting and retaining or otherwise maintaining on – going business relationships with the Share Option Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants
The Board may, at its discretion, offer to grant a share option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with the terms set out in the Share Option Scheme to the following persons (the “**Share Option Eligible Participants**”):
 - (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
 - (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;
 - (iii) any advisors, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
 - (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:
 - (aa) contribution to the development and performance of the Group;
 - (bb) quality of work performed for the Group;
 - (cc) initiative and commitment in performing his/her duties; and
 - (dd) length of service or contribution to the Group.

3. Total number of securities available for issue under the Share Option Scheme together with the percentage of the issued Shares that it represents as at the date of this interim report
- 92,365,364 ordinary Shares and 8.23% of the existing issued share capital.
4. Maximum entitlement of each participant
- The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding share options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme and any other share option schemes of the Company but subsequently canceled) to each Share Option Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to:
- (i) the issue of a circular by the Company to the Shareholders containing the identity of the Share Option Eligible Participant, the numbers of and terms of the share options to be granted (and share options previously granted to such participant), the information as required under Rules 17.03D of the Listing Rules; and
 - (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Share Option Eligible Participant and his close associates (or his associates if such Share Option Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of share options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the share options to such Share Option Eligible Participant shall be taken as the date of grant for the purpose of calculating the exercise price of the Shares. The Board shall forward to such Share Option Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:
 - (aa) the Share Option Eligible Participant's name, address and occupation/position;
 - (bb) the date on which a share option is offered to a Share Option Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

- (cc) the date upon which an offer for a share option must be accepted;
 - (dd) the date upon which a share option is deemed to be granted and accepted in accordance with paragraph (c) (c);
 - (ee) the number of Shares in respect of which the share option is offered;
 - (ff) the exercise price and the manner of payment of such price for the Shares on and in consequence of the exercise of the share option;
 - (gg) the date of the expiry of the share option;
 - (hh) the method of acceptance of the share option which shall, unless the Board otherwise determines, be as set out in item 7 below; and
 - (ii) such other terms and conditions (including, without limitation, any minimum period for which a share option shall be held before it can be exercised and/or any performance targets which must be achieved before the share option can be exercised) relating to the offer of the share option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.
5. Period within which the securities must be taken up under an option
- A share option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the share option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which a share option may be exercised will be determined by the Board in its absolute discretion, except that no share option may be exercised more than ten years after it has been granted. No share option may be granted more than ten years after the Listing Date.
6. Minimum/vesting period, if any, for which a share option must be held before it can be exercised
- There is no minimum period for which a share option granted must be held before it can be exercised except otherwise imposed by the Directors.

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7. Amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid
- A share option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the document constituting acceptance of the share option duly signed by the grantee, together with a remittance in favor of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant a share option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the document constituting acceptance of the share option. To the extent that the offer to grant a share option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.
8. Basis of determining the exercise price
- The exercise price of a share in respect of any particular share option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, except that such price will not be less than the highest of:
- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
 - (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
 - (iii) the nominal value of a share.
9. The remaining life of the Share Option Scheme
- The Share Option Scheme remains in force until 19 December 2027.

On 31 March 2022, the Company granted 8,582,362 share options (representing approximately 0.76% of the issued share capital of the Company as at the date of this interim report and approximately 0.76% of the enlarged issued share capital of the Company upon exercise in full of the aforesaid share options, respectively) (the “**2022 Share Options**”) at an exercise price of HK\$4.66 per share to 112 employees of the Group (the “**2022 Grantees**”) pursuant to the Share Option Scheme. The validity period of the 2022 Share Options granted were from 31 March 2022 to 30 March 2032 (both dates inclusive). The closing price of the Shares on the date of grant was HK\$4.66 per share.

The vesting period and conditions of the 2022 Share Options granted were as follows:

- (i) 1,716,472 share options, representing 20% of the total 2022 Share Options granted, will be vested on 31 March 2023 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2022 Grantee, among which, all such 1,716,472 share options were vested;
- (ii) 1,716,472 share options, representing 20% of the total 2022 Share Options granted, will be vested on 31 March 2024 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2022 Grantee, among which, all such 1,716,472 share options were lapsed;

- (iii) 2,574,709 share options, representing 30% of the total 2022 Share Options granted, will be vested on 31 March 2025 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2022 Grantee; and
- (iv) 2,574,709 share options, representing 30% of the total 2022 Share Options granted, will be vested on 31 March 2026 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2022 Grantee.

Among the 2022 Share Options granted, 660,304 share options were granted to Ms. Zhao Xiaohong (“**Ms. Zhao**”), an executive Director. The grant of the 660,304 share options to Ms. Zhao was approved by all the independent non-executive Directors pursuant to Rule 17.04(1) of the Listing Rules and the terms of the Share Option Scheme. Save as disclosed above, none of the 2022 Grantees is a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) as at the date of this interim report. For details, please refer to the announcement of the Company dated 31 March 2022.

On 11 April 2023, the Company granted 1,699,036 share options (representing approximately 0.15% of the issued share capital of the Company as at the date of this interim report and approximately 0.15% of the enlarged issued share capital of the Company upon exercise in full of the aforesaid share options, respectively) (the “**2023 Share Options**”) to 86 selected eligible persons (the “**2023 Grantees**”) pursuant to the Share Option Scheme. The validity period of the 2023 Share Options granted were from 11 April 2023 to 10 April 2033 (both dates inclusive). The closing price of the Shares on the date of grant was HK\$10.18 per Share.

The vesting period and conditions of the 2023 Options granted were as follows:

- (i) 339,807 share options, representing 20% of the total 2023 Share Options granted, will be vested on 11 April 2024 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2023 Grantee, among which, all such 339,807 share options were lapsed;
- (ii) 339,807 share options, representing 20% of the total 2023 Share Options granted, will be vested on 11 April 2025 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2023 Grantee;
- (iii) 509,711 share options, representing 30% of the total 2023 Share Options granted, will be vested on 11 April 2026 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2023 Grantee; and
- (iv) 509,711 share options, representing 30% of the total 2023 Share Options granted, will be vested on 11 April 2027 conditional upon the achievement or attainment of certain performance targets by the Company and the respective 2023 Grantee.

Among the 2023 Share Options granted, 139,620 share options were granted to Ms. Zhao, an executive Director. The grant of the 139,620 share options to Ms. Zhao was approved by all the independent non-executive Directors pursuant to Rule 17.04(1) of the Listing Rules and the terms of the Share Option Scheme. Save as disclosed above, none of the 2023 Grantees is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) as at the date of this interim report. For details, please refer to the announcement of the Company dated 11 April 2023.

OTHER INFORMATION

The details of movement in the share options granted under the Share Option Scheme during the six months ended 30 June 2024 by category of grantees are set out below:

Category and name of grantee (Note 1)	Date of grant of share option	Share options outstanding as at 1 January 2024	Share options granted during the six months ended 30 June 2024	Exercised during the six months ended 30 June 2024	Weighted average closing price of the Shares immediately before the date on which the share options were exercised	Cancelled during the six months ended 30 June 2024	Lapsed during the six months ended 30 June 2024	Share options outstanding as at 30 June 2024	Vesting period (Note 2)	Exercise Period of Share options	Exercise price of the Share options	Closing price immediately before the date of grant
Directors												
Zhao Xiaohong	31/3/2022	528,244	-	-	-	-	132,060	396,184	(i) 198,091 on 31/3/2025; (ii) 198,091 on 31/3/2026	10 years from the date upon which the share options were granted and accepted by the relevant grantee	HK\$4.66	HK\$4.66
	11/4/2023	139,620	-	-	-	-	27,924	111,696	(i) 27,924 on 11/4/2025; (ii) 41,886 on 11/4/2026; (iii) 41,886 on 11/4/2027	10 years from the date upon which the share options were granted and accepted by the relevant grantee	HK\$10.18	HK\$10.18
Senior Management and Other Employees of the Group												
Senior Management and Other Employees of the Group	31/3/2022	7,010,478	-	-	-	-	1,684,413	5,426,065	(i) 2,376,617 on 31/3/2025; (ii) 2,376,617 on 31/3/2026	10 years from the date upon which the share options were granted and accepted by the relevant grantee	HK\$4.66	HK\$4.66
	11/4/2023	1,491,137	-	-	-	-	311,883	1,179,254	(i) 311,883 on 11/4/2025; (ii) 467,825 on 11/4/2026; (iii) 467,825 on 11/4/2027	10 years from the date upon which the share options were granted and accepted by the relevant grantee	HK\$10.18	HK\$10.18
Total		9,169,479	-	-	-	-	2,056,280	7,113,199				

Notes:

- (1) Save for the above disclosed, there is no other category of persons that is granted with share options and is required to be disclosed pursuant to Rule 17.07 of the Listing Rules.
- (2) The vesting is conditional upon the achievement or attainment of certain performance targets by the Company and the respective grantee.
- (3) Please refer to Note 14(c)(ii) to the Unaudited Interim Financial Report of this interim report for details of the fair value of the share options granted and the accounting standard and policy adopted.
- (4) The total number of share options available for grant under the Share Option Scheme as at 1 January 2024 and 30 June 2024 were 90,309,084 Shares and 92,365,364 Shares, respectively, representing approximately 8.05% and 8.23% of the Company's issued share capital as at the respective dates.
- (5) The number of the Shares that may be issued in respect of the options and awards granted under Pre-IPO Share Option Scheme, Share Option Scheme and the Share Award Scheme during the six months ended 30 June 2024 is 9,513,199. The dilutive effect of such is 0.85%, being the number of Shares may be issued divided by the weighted average number of Shares for the same period.

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled during the six months ended 30 June 2024.

SHARE AWARD SCHEME

The share award scheme of the Company (Note) ("**Share Award Scheme**") was adopted by the Board on 8 December 2020 ("**Adoption Date**"). Summary of principal terms of the Share Award Scheme are set forth below:

1. Purpose & administration The purposes of the Share Award Scheme are to recognise and reward the contribution of certain Eligible Participants (as defined below) to the growth and development of the Group, to give incentives to Eligible Participants (as defined below) in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The Share Award Scheme shall be subject to the administration of the Board whose decisions on all matters arising in relation to the Share Award Scheme or its interpretation or effect shall be final, conclusive and binding on all persons who may be affected thereby, provided that such administration shall not prejudice (i) the powers of the trustee ("**Trustee**") as provided under the trust deed entered into between the Company and the Trustee ("**Trust Deed**"); and (ii) the powers of the remuneration committee of the Board on recommending and/or deciding (on and subject to the terms and conditions provided under the Share Award Scheme) the selection of the selected participants ("**Selected Participants**"), the number of awarded Shares (the "**Awarded Shares**") to be awarded to the respective Selected Participants and other related matters as expressly provided under the Share Award Scheme.

2. Participants Under the rules constituting the Share Award Scheme, the following classes of participants (excluding the excluded participants) ("**Eligible Participants**") are eligible for participation in the Share Award Scheme:

- (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiary ("**Subsidiary**") or any of its invested entity ("**Invested Entity**") (an "**Employee**");
- (b) any non-executive director (including independent non-executive directors) of the Company, any Subsidiary or any Invested Entity;
- (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any invested entity; and
- (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Share Award Scheme, the award may be made to any company wholly owned by one or more of the above participant.

Note: As the existing Share Award Scheme was adopted before the new Chapter 17 of the Listing Rules became effective on 1 January 2023, certain terms of the existing Share Award Scheme may not be in full compliance with the new Chapter 17 of the Listing Rules. The Company shall comply with the transitional arrangements for share schemes existing as at 1 January 2023, including but not limited to Share grants to eligible participants (with the amended definition under Rule 17.03A).

The eligibility of any of the Eligible Participants to an award shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution and/or future contribution to the development and growth of the Group.

3. Total number of Shares available for issue under the Share Award Scheme together with the percentage of the issued shares that it represents as at the date of this interim report
 The total number of Shares available to be subscribed for and/or purchased by the Trustee by applying the Group contribution for the purpose of the Share Award Scheme is 110,996,092, representing 9.89% of the total number of issued Shares as at the date of this interim report. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Share Award Scheme when such subscription and/or purchase will result in such threshold being exceeded.
4. Maximum entitlement of each participants
 The maximum number of Shares which may be subject to an award or awards to a Selected Participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.
5. Period within which a elected Participant may accept offer of award
 The Board shall notify the Selected Participant in writing after an award has been provisionally made to such Selected Participant and the notice shall contain substantially the same information as that set out in the award notice provided that nothing contained in such notice shall be construed as conferring any rights, interests, benefits and title to and in the awarded Shares on such Selected Participant before the vesting of the legal and beneficial ownership of such awarded Shares in the Selected Participant in accordance with these rules of the Scheme. An award shall be deemed to be irrevocably accepted by a Selected Participant unless the Selected Participant shall within five (5) Business Days after receipt of such notice from the Board notify the Company in writing that he would decline to accept such award.
6. Vesting period of awards granted under the Share Award Scheme
 The Board may from time to time, at its discretion, determine the earliest vesting date ("**Vesting Date**") and other subsequent date(s), if any, upon which the awarded Shares held by the Trustee upon trust and which are referable to a Selected Participant shall vest in that Selected Participant.

During the vesting period, any dividends and other distributions ("**Other Distributions**") declared and made in respect of any awarded Shares shall belong to the Trustee and the relevant Selected Participant shall not have any right whatsoever in such Other Distributions in respect of any awarded Shares or otherwise unless and until the relevant awarded Shares are vested in such Selected Participant. Such Other Distributions shall be applied to subscription for and/or purchase of Shares for the purpose of satisfying any further awards by the Board and, upon termination of the Share Award Scheme, shall be treated and dealt with as income of the trust fund under the Trust Deed generally.

At any time prior to a Vesting Date, unless the Board otherwise determines, in respect of a Selected Participant who:

- (a) died, all the awarded Shares of the Selected Participant shall be deemed to be vested on the Selected Participant on the day immediately prior to his death; or
- (b) (in the case of a Selected Participant who is an Employee) retired at his normal retirement date, all the awarded Shares of the Selected Participant shall be deemed to be vested on the Selected Participant on the day immediately prior to his normal retirement date; or
- (c) (in the case of a Selected Participant who is an Employee) retired at an earlier retirement date (with prior written agreement given by the Company or the Subsidiary or the Invested Entity), all the awarded Shares of the Selected Participant shall be deemed to be vested on the Selected Participant on the day immediately prior to his earlier retirement date.

If there is an event of change in control, as defined in the Hong Kong Codes on Takeovers and Mergers and Share Repurchases from time to time, of the Company by way of general or partial takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner made to all the Shareholders, all the unvested award Shares shall vest at any time before the expiry of the period of ten (10) Business Days following the date on which the offer becomes or is declared unconditional.

7. Amount, if any, payable on application of the award and the period within which payments or calls must or may be made or loans for such purposes must be repaid
- There is no specific amount on application or acceptance of the award of the Share Award Scheme.
- The Board shall, subject to and in accordance with the rules of the Share Award Scheme, be entitled to, at any time during the continuation of the Share Award Scheme, make an award out of the Shares Pool to any of the Eligible Participants such number of Shares as it shall determine pursuant to the Share Award Scheme. The Board shall notify the Trustee in writing upon the making of an award under the Share Award Scheme by giving the Trustee an award notice. The making of an award to any connected person of the Company shall be subject to compliance with the applicable requirements under the Listing Rules.

OTHER INFORMATION

8. Basis of determination of the purchase price of shares awarded

It is intended that the shares under the Share Award Scheme will be offered to the Selected Participants for no consideration subject to the compliance with the relevant laws and regulations, acceptance by the Selected Participants and the vesting period and conditions to be decided by the Board at the time of grant of award under the Share Award Scheme.
9. Remaining life of the Share Award Scheme

The Share Award Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board. If, at the date of the termination of the Share Award Scheme, the Trustee holds any Share which has not been set aside in favour of any Selected Participant or retains any unutilised funds received as the Group contribution or otherwise, then the Trustee shall, within twenty-one (21) Business Days after receiving actual notice of such termination, sell such Shares at the prevailing market price and remit the proceeds of sale (after making appropriate deductions in respect of stamp duty and other costs, liabilities and expenses in accordance with the Trust Deed) together with such unutilised funds to the Company. Upon termination of the Share Award Scheme, subject to the decision of the Board and to the terms of the Share Award Scheme, the relevant Vesting Date of the awarded Shares shall be unaffected and the awarded Shares shall remain transferable to and to be vested in such Selected Participant in accordance with the terms set out in the award notice, save in respect of any lapse of the award.

During the six months ended 30 June 2024, there were 6,374,602 Shares held in trust by the trustee under the Share Award Scheme.

On 31 March 2022, the Company offered to grant a total of 838,784 Awarded Shares at nil consideration to 112 selected participants who are employees of the Group as an incentive to retain and attract talents for the Group. The grant of 838,784 Awarded Shares is subject to acceptance by the selected participants and the vesting period and conditions. The 838,784 Awarded Shares will be satisfied with the existing issued Shares held by the trustee.

For details, please refer to the announcement of the Company dated 31 March 2022.

OTHER INFORMATION

Details of the movement of the Awarded Shares during the six months ended 30 June 2024 are set out in the table below:

Category and name of grantee (Note 1)	Date of grant of the Awarded Shares	Purchase price of the Awarded Shares	Closing price of Shares immediately before the date of grant	Fair value of the Awarded Shares at the date of grant (Note 2)	Vesting period of the Awarded Shares (Note 3)	Number of unvested Awarded Shares as at 1 January 2024	Number of Awarded Shares granted during the six months ended 30 June 2024	Number of Awarded Shares vested during the six months ended 30 June 2024	Number of Awarded Shares cancelled during the six months ended 30 June 2024	Number of Awarded Shares lapsed during the six months ended 30 June 2024	Number of unvested Awarded Shares as at 30 June 2024	Weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested
												Number of Awarded Shares vested during the six months ended 30 June 2024
Directors												
Nil												
Senior Management and Other Employees of the Group												
5 highest paid individuals (in aggregate)	31/3/2022	-	HK\$4.66	HK\$4.52- HK\$4.64	31/3/2023- 31/03/2026	68,769	-	-	-	17,192	51,577	-
Senior Management and Other Employees of the Group	31/3/2022	-	HK\$4.66	HK\$4.52- HK\$4.64	31/3/2023- 31/3/2026	487,664	-	-	-	134,731	352,933	-
Total		-				556,433	-	-	-	151,923	404,510	-

Notes:

- (1) Save for the above disclosed, there is no other category of persons that is granted with share awards and is required to be disclosed pursuant to Rule 17.07 of the Listing Rules.
- (2) Please refer to Note 14(d) to the Unaudited Interim Financial Report of this interim report for details of the fair value of the awards and the accounting standard and policy adopted.
- (3) The Trustee shall hold the Awarded Shares in trust for the Selected Participants, and shall transfer such Awarded Shares to the Selected Participants at nil consideration until and upon satisfaction of the following vesting period and conditions:
 - (i) 167,757 Awarded Shares, representing 20% of the total Awarded Shares granted, will be vested on 31 March 2023 conditional upon the achievement or attainment of certain performance targets by the Company and the respective Selected Participant, among which, 149,398 Awards Shares were vested, and 18,359 Awarded Shares were lapsed;
 - (ii) 167,757 Awarded Shares, representing 20% of the total Awarded Shares granted, will be vested on 31 March 2024 conditional upon the achievement or attainment of certain performance targets by the Company and the respective Selected Participant, among which, 167,757 Awarded Shares were lapsed;
 - (iii) 251,635 Awarded Shares, representing 30% of the total Awarded Shares granted, will be vested on 31 March 2025 conditional upon the achievement or attainment of certain performance targets by the Company and the respective Selected Participant; and
 - (iv) 251,635 Awarded Shares, representing 30% of the total Awarded Shares granted, will be vested on 31 March 2026 conditional upon the achievement or attainment of certain performance targets by the Company and the respective Selected Participant.

Saved as disclosed above, no Awarded Share was granted, exercised, lapsed or cancelled during the six months ended 30 June 2024.

As of 1 January 2024 and 30 June 2024, the number of awards available for grant under the Share Award Scheme were 110,844,169 and 110,996,092, respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries by the Company, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

The Company has also established written guidelines on no less stringent terms than the Model Code (the “**Employees Written Guidelines**”) for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of noncompliance of the Employees Written Guidelines by the employees was noted by the Company throughout the six months ended 30 June 2024.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2024, save as the code provision addressed below, the Company has complied with all the applicable code provisions (the “**Code Provision(s)**”) as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules.

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual.

The positions of chairman and chief executive officer of the Company are held by Mr. Li Zhijiang, who is one of the founders of the Group and has extensive experience in the industry.

The Board believes that Mr. Li Zhijiang can provide the Company with strong and consistent leadership that allows for effective and efficient planning and implementation of business decisions and strategies.

The Board is of the view that given that Mr. Li Zhijiang had been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies of the Company under his strong and consistent leadership, and should be overall beneficial to the management and development of the Group’s business.

REVIEW BY THE AUDIT COMMITTEE

The Company has an audit committee (the “**Audit Committee**”) with terms of reference aligned with the Code Provisions for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Audit Committee consists of two independent non-executive Directors, Mr. Kong Chi Mo (chairman), Dr. Li Shu Wing David and one non-executive Director, Dr. Wang David Guowei.

The Group’s interim report for the six months ended 30 June 2024 have been reviewed by all members of the Audit Committee. Based on such review, the Audit Committee was of the opinion that the Group’s unaudited interim financial report were prepared in accordance with the applicable accounting standards as well as the Listing Rules and that adequate disclosures have been duly made. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted as at 30 June 2024 or at any time during the six months ended 30 June 2024. No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted as at 30 June 2024 or at any time during the six months ended 30 June 2024.

INTERIM DIVIDEND

The Board did not recommend to declare any interim dividend to the Shareholders for the six months ended 30 June 2024.

SUBSEQUENT EVENT

Since 30 June 2024 and up to the date of this interim report, no material event affecting the Group has occurred.

INDEPENDENT REVIEW OF AUDITORS

The interim financial report for the six months ended 30 June 2024 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in this interim report to be sent to the Shareholders.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of Directors during the six months ended 30 June 2024 and up to the date of this interim report are set out below:

Name of Director	Details of Change
Dr. Li Shu Wing David	Dr. Li Shu Wing David has completed Oxford Entrepreneurship: Venture Creation Programme in January 2024.

DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2024 containing all the relevant information required by the Listing Rules has been published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://ak-medical.net>).

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

Hong Kong
28 August 2024