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## Kangji Medical Holdings Limited

### 康基医疗控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9997)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Kangji Medical Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended December 31, 2020 as follows.

### FINANCIAL HIGHLIGHTS

	Year ended December 31,		Changes %
	2021 RMB'000	2020 RMB'000	
<b>Revenue</b>	<b>690,263</b>	511,490	35.0
Gross profit	<b>562,926</b>	431,470	30.5
Profit for the year	<b>456,789</b>	259,150	76.3
Non-HKFRS adjusted net profit for the year	<b>430,355</b>	334,504	28.7
Profit attributable to owners of the parent	<b>456,789</b>	250,296	82.5
<b>Earnings per share</b>			
–Basic (RMB)	<b>37.31 cents</b>	26.27 cents	42.0
–Diluted (RMB)	<b>37.08 cents</b>	25.97 cents	42.8

For the year ended December 31, 2021, the Company realized total revenue of RMB690.3 million, representing an increase of 35.0% as compared to 2020. Our sales increased due to the significant recovery in elective surgery volume in China, the expansion and optimization of our distributor network, sales contribution from new products, and growth in export sales.

The Group’s net profit attributable to owners of the parent for the Reporting Period increased by 82.5% from RMB250.3 million in 2020 to RMB456.8 million in 2021. The increase was mainly due to the increase in revenue, increase in other income (e.g. bank interest income), fair value gain on equity investment, the absence of listing expenses and non-controlling interest, and reduction of share-based payment expenses. The Group’s non-HKFRS adjusted net profit for the Reporting Period which excludes the aforementioned non-recurring expenses as well as fair value gain on our equity investment in Jingfeng Medical and foreign exchange impact, increased by 28.7% from RMB334.5 million in 2020 to RMB430.4 million in 2021.

The Board has resolved to recommend the payment of a final dividend of HK17.23 cents per ordinary share of the Company (the “**Share**”) for the year ended December 31, 2021.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>REVENUE</b>	4	<b>690,263</b>	511,490
Cost of sales		<u>(127,337)</u>	<u>(80,020)</u>
Gross profit		<b>562,926</b>	431,470
Other income and gains	4	<b>120,785</b>	57,100
Selling and distribution expenses		<b>(46,515)</b>	(48,894)
Administrative expenses		<b>(62,674)</b>	(78,002)
Research and development costs		<b>(36,001)</b>	(25,220)
Other expenses		<b>(3,828)</b>	(26,337)
Finance costs		<u><b>(196)</b></u>	<u>(42)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>534,497</b>	310,075
Income tax expense	6	<u><b>(77,708)</b></u>	<u>(50,925)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>456,789</b></u>	<u>259,150</u>
Attributable to:			
Owners of the parent		<b>456,789</b>	250,296
Non-controlling interests		<u>–</u>	<u>8,854</u>
		<u><b>456,789</b></u>	<u>259,150</u>
<b>OTHER COMPREHENSIVE LOSS</b>			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u><b>(750)</b></u>	<u>(457)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		<u><b>(750)</b></u>	<u>(457)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company's financial statements into presentation currency		<u><b>(44,153)</b></u>	<u>(196,459)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		<u><b>(44,153)</b></u>	<u>(196,459)</u>

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** (Continued)

**Year ended 31 December 2021**

	<i>Notes</i>	<b>2021</b> <b><i>RMB'000</i></b>	2020 <i>RMB'000</i>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<u><b>(44,903)</b></u>	<u>(196,916)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>411,886</b></u>	<u>62,234</u>
Attributable to:			
Owners of the parent		<b>411,886</b>	53,380
Non-controlling interests		<u>–</u>	<u>8,854</u>
		<u><b>411,886</b></u>	<u>62,234</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	8	<b>RMB37.31 cents</b>	RMB26.27 cents
Diluted	8	<u><b>RMB37.08 cents</b></u>	<u>RMB25.97 cents</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	<b>2021</b> <b><i>RMB'000</i></b>	<b>2020</b> <b><i>RMB'000</i></b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>87,585</b>	63,251
Prepayment for property, plant and equipment		<b>443</b>	3,375
Right-of-use assets		<b>19,796</b>	21,571
Financial asset at fair value through profit or loss	<i>10</i>	<b>111,233</b>	–
Intangible assets		<b>119</b>	33
Deferred tax assets		<b>2,778</b>	2,004
<b>Total non-current assets</b>		<b>221,954</b>	90,234
<b>CURRENT ASSETS</b>			
Inventories		<b>68,376</b>	51,442
Trade receivables	<i>9</i>	<b>81,119</b>	87,407
Prepayments, other receivables and other assets		<b>4,422</b>	9,643
Financial assets at fair value through profit or loss	<i>10</i>	<b>60,814</b>	548,428
Pledged deposits	<i>11</i>	<b>–</b>	1,061
Cash and cash equivalents	<i>11</i>	<b>2,953,659</b>	2,232,046
<b>Total current assets</b>		<b>3,168,390</b>	2,930,027
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>18,261</b>	11,407
Other payables and accruals		<b>74,095</b>	51,521
Lease liabilities		<b>1,695</b>	1,465
Deferred income		<b>636</b>	636
Tax payable		<b>21,885</b>	10,417
<b>Total current liabilities</b>		<b>116,572</b>	75,446
<b>NET CURRENT ASSETS</b>		<b>3,051,818</b>	2,854,581
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,273,772</b>	2,944,815

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2021

	<i>Notes</i>	<b>2021</b> <b><i>RMB'000</i></b>	2020 <i>RMB'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>3,273,772</u></b>	<u>2,944,815</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>2,351</b>	3,585
Deferred income		<b>1,272</b>	1,908
Deferred tax liabilities		<b><u>9,748</u></b>	<u>2,711</u>
<b>Total non-current liabilities</b>		<b><u>13,371</u></b>	<u>8,204</u>
Net assets		<b><u><u>3,260,401</u></u></b>	<u><u>2,936,611</u></u>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	<b>88</b>	88
Reserves		<b><u>3,260,313</u></b>	<u>2,936,523</u>
<b>Total equity</b>		<b><u><u>3,260,401</u></u></b>	<u><u>2,936,611</u></u>

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax:	<b>534,497</b>	310,075
Adjustments for:		
Finance costs	<b>196</b>	42
Bank interest income	<b>(33,288)</b>	(11,777)
Investment income from financial assets at fair value through profit or loss	<b>(18,297)</b>	(5,367)
Fair value gains on financial asset at fair value through profit or loss	<b>(31,604)</b>	(2,943)
Loss on disposal of items of property, plant and equipment	<b>122</b>	100
Depreciation of property, plant and equipment	<b>9,515</b>	7,474
Depreciation of right-of-use assets	<b>2,267</b>	697
Amortisation of intangible assets	<b>78</b>	33
Impairment of trade receivables, net	<b>614</b>	1,388
Recognition of deferred income	<b>(636)</b>	(636)
Share-based payment expense	<b>8,285</b>	18,001
	<b>471,749</b>	317,087
Increase in inventories	<b>(16,934)</b>	(14,520)
Decrease/(increase) in trade receivables	<b>5,674</b>	(15,783)
Decrease/(increase) in prepayments, other receivables and other assets	<b>5,221</b>	(6,829)
Increase in trade payables	<b>6,854</b>	2,089
Increase in other payables and accruals	<b>22,400</b>	4,619
Cash generated from operations	<b>494,964</b>	286,663
Interest received	<b>762</b>	1,088
Interest paid	<b>–</b>	(42)
Income tax paid	<b>(59,977)</b>	(66,665)
Net cash flows from operating activities	<b>435,749</b>	221,044

**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)****Year ended 31 December 2021**

	<b>2021</b> <b>RMB'000</b>	2020 <b>RMB'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(30,865)	(17,833)
Proceeds from disposal of items of property, plant and equipment	–	21
Purchases of items of intangible assets	(164)	–
Purchases of financial assets at fair value through profit or loss	(5,097,980)	(2,778,996)
Proceeds from sales of financial assets at fair value through profit or loss	5,575,149	2,268,273
Purchases of equity investment at fair value through profit or loss	(80,000)	–
Investment income from financial assets at fair value through profit or loss	18,297	5,367
Decrease in pledged deposits	1,061	379
Interest received	28,702	13,708
Increase in time deposits with original maturity of over three months	(574,293)	(101,897)
Net cash flows used in investing activities	(160,093)	(610,978)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contribution from shareholders	–	37,417
Proceeds from issue of shares	–	2,858,319
Share issue expenses	–	(128,878)
Shares repurchased	(51,074)	–
Principal portion of lease payments	(1,493)	(194)
Interest paid	(196)	–
Dividend paid	(44,847)	(212,563)
Capital reduction	–	(402,290)
Net cash flows (used in)/from financing activities	(97,610)	2,151,811
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>178,046</b>	<b>1,761,877</b>
Cash and cash equivalents at beginning of year	2,034,337	469,336
Effect of foreign exchange rate changes, net	(34,550)	(196,876)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>2,177,833</b>	<b>2,034,337</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the consolidated statement of financial position	2,953,659	2,232,046
Time deposits with original maturity of over three months when acquired	(775,826)	(197,709)
Cash and cash equivalents as stated in the consolidated statement of cash flows	2,177,833	2,034,337

## NOTES TO FINANCIAL STATEMENTS

### 1. Corporate information

The Company is a limited liability company incorporated in the Cayman Islands on 12 February 2020. The registered office address of the Company is Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally involved in the design, development, manufacture and sale of a comprehensive suite of minimally invasive surgical instruments and accessories.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 June 2020.

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.



## 2.1 Basis of preparation (Continued)

### Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*Covid-19-Related Rent Concessions beyond 30 June 2021*  
(early adopted)

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. The amendment did not have any impact on the financial position and performance of the Group as the Group does not have any Covid-19-Related rent concessions for the year ended 31 December 2021.

### 3. Operating segment information

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

#### Geographic information

##### (a) Revenue from external customers

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	641,753	475,756
Other	48,510	35,734
Total	<u>690,263</u>	<u>511,490</u>

The revenue information is based on the locations of the customers.

##### (b) Non-current assets

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Mainland China	107,558	87,434
Other	385	796
Total	<u>107,943</u>	<u>88,230</u>

The non-current asset information above is based on the locations of assets and excludes financial instruments and deferred tax assets.

#### Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer A	125,400	131,063
Customer B	76,534	51,186

#### 4. Revenue, other income and gains

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers	<u>690,263</u>	<u>511,490</u>

#### Revenue from contracts with customers

##### (a) *Disaggregated revenue information*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Type of goods</b>		
Sale of medical instruments	<u>690,263</u>	<u>511,490</u>
<b>Geographical markets</b>		
Mainland China	641,753	475,756
Other	<u>48,510</u>	<u>35,734</u>
	<u>690,263</u>	<u>511,490</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<u>690,263</u>	<u>511,490</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of medical instruments	<u>767</u>	<u>444</u>

##### (b) *Performance obligation*

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

##### *Sale of medical instruments*

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

#### 4. Revenue, other income and gains (Continued)

##### Revenue from contracts with customers (Continued)

An analysis of other income and gains is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Other income</b>		
Government grants*	34,345	36,226
Bank interest income	33,288	11,777
Investment income from financial assets at fair value through profit or loss	18,297	5,367
Foreign exchange gains, net	3,115	–
Others	136	787
	<u>89,181</u>	<u>54,157</u>
<b>Gains</b>		
Fair value gains on financial asset at fair value through profit or loss	<u>31,604</u>	<u>2,943</u>
	<u><u>120,785</u></u>	<u><u>57,100</u></u>

\* The government grants mainly represent subsidies received from the local governments for the purposes of compensation for expenses arising from research activities, reward for financial contribution and capital expenditure incurred on certain projects.

## 5. Profit before tax

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold	127,337	79,761
Depreciation of property, plant and equipment	9,515	7,474
Depreciation of right-of-use assets	2,267	697
Amortisation of intangible assets*	78	33
Impairment of trade receivables, net**	614	1,388
Write-down of inventories to net realisable value***	–	259
Lease payments not included in the measurement of lease liabilities	471	73
Auditor's remuneration	2,600	3,020
Research and development costs	36,001	25,220
Government grants	(34,345)	(36,226)
Bank interest income	(33,288)	(11,777)
Investment income from financial assets at fair value through profit or loss	(18,297)	(5,367)
Foreign exchange differences, net	(3,115)	25,039
Losses on disposal of items of property, plant and equipment	122	100
Listing expenses	–	32,314
Fair value gains on financial asset at fair value through profit or loss	(31,604)	(2,943)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	66,930	42,342
Pension scheme contributions	4,767	361
Staff welfare expenses	8,634	5,220
Share-based payment expense	5,219	13,498
	<b>85,550</b>	<b>61,421</b>

\* The amortisation of intangible assets is included in "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

\*\* The impairment of trade receivables is included in "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

\*\*\* The write-down of inventories to net realisable value is included in "Cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

## 6. Income tax expense

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

Pursuant to the rules and regulations of Singapore, Singapore profits tax has been provided at the rate of 17% (2020: 17%) on the estimated assessable profits arising in Singapore during the year.

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

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, preferential tax treatment is available to Hangzhou Kangji Medical Instrument Co., Ltd (“**Hangzhou Kangji**”), since it was recognised as a High and New Technology Enterprise and was entitled to a preferential tax rate of 15% (2020: 15%) during the year. Jiangxi Kanghuan Medical Instrument Co., Ltd, which operates in Mainland China, was identified as a Small and Micro Enterprise and was entitled to a preferential tax rate of 2.5% (2020: 5%) during the year.

The income tax expense of the Group is analysed as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current – Mainland China		
Charge for the year	68,808	48,423
Deferred tax	8,900	2,502
Total tax charge for the year	<u>77,708</u>	<u>50,925</u>

## 6. Income tax expense (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	<u>534,497</u>	<u>310,075</u>
Tax at the statutory tax rate of 25% in Mainland China	133,625	77,519
Preferential tax rates enacted by local authority	(47,400)	(33,250)
Additional deductible allowance for research and development expenses	(4,050)	(2,644)
Tax losses not recognised	112	–
Non-deductible expenses for tax purposes	1,313	1,162
Effect of withholding tax at 5% and 10% on the distributable profits of the Group's PRC subsidiaries	9,690	2,589
Effect of tax rate differences in other jurisdictions	(15,600)	5,549
Effect of tax rate changes on deferred taxes	<u>18</u>	<u>–</u>
Tax charge at the Group's effective tax rate	<u>77,708</u>	<u>50,925</u>

## 7. Dividends

On 25 March 2021, the board of directors recommended a final dividend of HK4.4 cents per share, amounting to a total of approximately HK\$55,097,000. The final dividend was approved by the Company's shareholders at the annual general meeting and paid in June 2021.

On 8 April 2020, the Company declared a cash dividend of RMB65,700,000 to its shareholders, among which, RMB42,048,000 was offset by capital contribution payable by certain shareholders as part of the reorganisation, as agreed by the Company and certain shareholders. The rest of the dividend, which amounted to RMB23,652,000, was fully paid in July 2020.

	2021 HK\$'000	2020 HK\$'000
Proposed final – HK17.23 cents (2020: HK4.4 cents) per ordinary share	<u>214,544</u>	<u>55,097</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 8. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB456,789,000 (2020: RMB250,296,000), and the weighted average number of ordinary shares of 1,224,312,412 in issue during the year (2020: 952,797,910 ordinary shares, as adjusted to reflect the capitalisation issue).

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, the assumption that 7,708,633 (2020: 10,978,558) shares issued and issuable, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares arising from share options and restricted share units ("RSUs") granted by the Company.

## 8. Earnings per share attributable to ordinary equity holders of the parent (Continued)

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	<u><b>456,789</b></u>	<u>250,296</u>
	<b>Number of shares</b>	
	2021	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>1,224,312,412</b>	952,797,910
Effect of dilution-weighted average number of ordinary shares arising from share options and RSUs	<u><b>7,708,633</b></u>	<u>10,978,558</u>
	<u><b>1,232,021,045</b></u>	<u>963,776,468</u>

## 9. Trade receivables

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	<b>85,273</b>	90,947
Impairment	<u><b>(4,154)</b></u>	<u>(3,540)</u>
	<u><b>81,119</b></u>	<u>87,407</u>

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



## 9. Trade receivables (Continued)

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	66,649	66,645
3 to 6 months	9,480	11,836
6 to 12 months	3,371	6,777
1 to 2 years	1,445	2,117
Over 2 years	174	32
	<u>81,119</u>	<u>87,407</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	3,540	2,152
Impairment losses, net ( <i>note 5</i> )	<u>614</u>	<u>1,388</u>
At end of year	<u>4,154</u>	<u>3,540</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

### As at 31 December 2021

	Gross carrying amount <i>RMB'000</i>	Expected credit loss rate %	Expected credit loss <i>RMB'000</i>
Less than 1 year	81,890	2.51	2,052
1 to 2 years	1,876	32.08	602
2 to 3 years	1,315	99.43	1,308
Over 3 years	<u>192</u>	100.00	<u>192</u>
	<u>85,273</u>		<u>4,154</u>

## 9. Trade receivables (Continued)

As at 31 December 2020

	Gross carrying amount <i>RMB'000</i>	Expected credit loss rate %	Expected credit loss <i>RMB'000</i>
Less than 1 year	87,882	2.98	2,623
1 to 2 years	2,846	25.64	730
2 to 3 years	211	85.40	179
Over 3 years	8	100.00	8
	<u>90,947</u>		<u>3,540</u>

## 10. Financial assets at fair value through profit or loss

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current		
Unlisted investments, at fair value	<u>60,814</u>	<u>548,428</u>

The unlisted investments represented certain financial products issued by commercial banks and other financial institutions. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current		
Unlisted equity investment, at fair value		
Shenzhen Jingfeng Medical Technology Co., Ltd.	<u>111,233</u>	<u>—</u>

The above equity investment was classified as financial asset at fair value through profit or loss as it was mandatorily designated as such.

## 11. Cash and cash equivalents and pledged deposits

	2021 RMB'000	2020 RMB'000
Cash and bank balances	1,496,645	744,071
Time deposits	1,457,014	1,489,036
	<b>2,953,659</b>	2,233,107
Less:		
Pledged time deposits for potential transactions on financial assets at fair value through profit or loss	—	(1,061)
Cash and cash equivalents	<b>2,953,659</b>	2,232,046
Denominated in RMB	1,585,513	94,053
Denominated in US\$	1,355,375	2,048,303
Denominated in HK\$	12,617	89,690
Denominated in SGD\$	154	—
Cash and cash equivalents	<b>2,953,659</b>	2,232,046

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

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

## 12. Trade payables

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

	2021 RMB'000	2020 RMB'000
Within 3 months	18,148	11,404
3 to 6 months	95	—
6 to 12 months	8	2
Over 12 months	10	1
	<b>18,261</b>	11,407

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

## 13. Share capital

	2021	2020
<b>Authorised:</b>		
5,000,000,000 (2020: 5,000,000,000) ordinary shares of US\$0.00001 each US\$	<b>50,000</b>	50,000
<b>Issued and fully paid:</b>		
1,245,876,500 (2020: 1,252,207,500) ordinary shares of US\$0.00001 each		
US\$	12,459	12,522
RMB	87,555	88,000

### 13. Share capital (Continued)

A summary of movements in the Company's issued share capital, share premium, share held for share award arrangement and treasury shares is as follows:

	Notes	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Share held for share award arrangement RMB'000	Treasury shares RMB'000
At incorporation on 12 February 2020	(a)	1	–	–	–	–
Issue of shares on 22 February 2020	(b)	63,999	–	–	–	–
Issue of shares on 13 March 2020	(c)	36,000	–	–	–	–
Issue of shares on 19 May 2020	(d)	2,681	–	–	–	–
Capital contribution from shareholders on 20 May 2020	(e)	–	–	79,465	–	–
Capitalisation issue	(f)	1,026,707,319	72	(70)	(2)	–
Issue of shares on 29 June 2020	(g)	225,397,500	16	2,858,303	–	–
Share issue expenses		–	–	(128,878)	–	–
At 31 December 2020 and 1 January 2021		1,252,207,500	88	2,808,820	(2)	–
Shares repurchased	(h)	–	–	–	–	(51,074)
Shares cancelled	(h)	(6,331,000)	–	(46,786)	–	46,786
At 31 December 2021		<u>1,245,876,500</u>	<u>88</u>	<u>2,762,034</u>	<u>(2)</u>	<u>(4,288)</u>

- (a) On 12 February 2020, the Company was incorporated with authorised share capital of US\$50,000 divided into 5,000,000,000 ordinary shares with par value of US\$0.00001 each and one share was issued to an initial subscriber and later transferred to Fortune Spring ZM B Limited ("ZM B").
- (b) On 22 February 2020, 38,849 and 25,150 ordinary shares were allotted and issued to ZM B and Fortune Spring YG B Limited, respectively.
- (c) On 13 March 2020, the Company's 1,800,000,000 authorised but unissued ordinary shares were re-designated and reclassified as preferred shares with a par value of US\$0.00001 each, and 36,000 preferred shares were allotted and issued in exchange of the entire equity interests of the then shareholders of Hangzhou Kangji. Those preferred shares were converted into ordinary shares on a one to one basis by way of re-designation to ordinary shares on 29 June 2020.
- (d) On 19 May 2020, 2,681 shares were allotted and issued to Fortune Spring Kangji 1 Limited.
- (e) As part of the reorganisation, certain shareholders re-injected capital of RMB79,465,000 in the Company on 20 May 2020, among which, RMB42,048,000 was offset by capital contribution payable by certain shareholders, as agreed by the Company and certain shareholders.
- (f) Pursuant to an ordinary resolution passed on 8 June 2020, a total of 1,026,707,319 shares were allotted and issued, credited as fully-paid at par, by way of capitalisation from the share premium account to the holders of shares whose names appear on the register of members of the Company on 26 June 2020 in proportion to their then respective existing shareholdings in the Company. This allotment and capitalisation issue were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in note (g) below.
- (g) In connection with the Company's initial public offering, 225,397,500 ordinary shares of US\$0.00001 each were issued at a price of HK\$13.88 per share for a total cash consideration, before expenses, of approximately HK\$3,128,517,300 (equivalent to RMB2,858,319,000). Dealings in these shares on the Stock Exchange commenced on 29 June 2020.
- (h) The Company purchased 7,031,000 of its shares on the Stock Exchange for a total cash consideration of HK\$62,085,000 (equivalent to approximately RMB51,074,000), of which 6,331,000 shares were cancelled during the year ended 31 December 2021 (equivalent to approximately RMB46,786,000). The remaining of 700,000 shares were cancelled on 27 January 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

2021 was a year of transition for the Group as we set new strategy and established development paths on multiple fronts. It was also the first full year since our IPO on the Stock Exchange of Hong Kong.

For the domestic market, despite regional resurgence of COVID cases, which may continue in 2022, China's control measures kept small outbreaks under control. China's elective surgery volume for the most part returned to the pre-pandemic level and the penetration of minimally invasive surgery in China is expected to continue to grow. Demand for our products for both disposable and reusable products returned to steady growths.

Under the leadership of our new head of domestic sales and marketing, our much-expanded sales and marketing team now based in Beijing focused on improving our management of distributors and assisting distributors to adapt to our new standards. We completed re-alignment of all of our distributors in terms of geographic and product coverage, and identified specific needs and market opportunities for new distributors. By entering into sales agreements with all of our distributors with quarterly sales targets by key product category, we established a more robust and transparent evaluation mechanism, which allows us to monitor market needs and evaluate the effectiveness of our distributors on a more timely basis. The ongoing optimization of our distributor network will continue to be a focus of our sales and marketing strategy in the coming years.

Since 2020, the National Healthcare Security Administration has introduced national volume-based procurement (“VBP”) of high-value medical consumables. None of our products has been affected so far by the national VBP; however, the expectations for ongoing reforms and regional VBPs have brought changes to the industry as well as our business model. In 2021, we participated and won bids in provincial and inter-provincial alliance VBPs in respect of our key products, including disposable trocars, polymer ligation clips and ultrasonic scalpel. It is worth noting that each provincial and inter-provincial alliance VBPs may have its own unique rules and circumstances. We make decisions on how to participate in the procurement process based on a number of factors such as the expected magnitude of price cut, potential sales volume increase, local competitive dynamics, etc. As a result, post each round of VBP, we may adopt different sales and distribution models.

In 2021, following the provincial VBPs for disposable trocars in Shandong and Fujian provinces respectively, we switched from a distributor model to a more direct sales model by distribution through logistics partner and engaging external academic promotion partners. Our sales volume for the periods post VBP implementation posted strong year-on-year growth. Our sales volume more than doubled in Shandong province for April to December of 2021 as compared to the same period in 2020. In the meantime, our margins for these products in Shandong and Fujian provinces have not been significantly affected even after taking into consideration the promotion expenses.

In terms of export sales, demand from overseas customers also recovered in 2021. Our export sales of RMB48.5 million in 2021 represented 35.8% year-on-year growth, or approximately 45.3% growth on a constant currency basis, without foreign exchange impact. We set new strategy and targets to develop our export sales in the coming few years through expanding the team, increasing registration of our products in overseas markets, further diversifying our export portfolio, and seeking distribution partners. We increased our overseas product registrations by 10 in 2021 mainly in Europe and South America which have been our top export markets. Our export sales expanded to more than 80 customers in 45 countries in 2021 from approximately 60 customers in 33 countries in 2020.

For the year ended December 31, 2021, we achieved total revenue of RMB690.3 million, representing a 35.0% increase from 2020. The Group's net profit attributable to owners of the parent for the year ended December 31, 2021 increased by 82.5% from RMB250.3 million in 2020 to RMB456.8 million in 2021. The increase was mainly due to the increase in revenue, increase in other income (e.g. bank interest income), fair value gain on equity investment, the absence of listing expenses and non-controlling interest, and reduction of share-based payment expenses. The Group's non-HKFRS adjusted net profit for the year ended December 31, 2021 which excludes the aforementioned non-recurring expenses as well as fair value gain on our equity investment in Jingfeng Medical and foreign exchange impact, increased by 28.7% from RMB334.5 million in 2020 to RMB430.4 million in 2021.

## **Research and Development**

Continuing with our research and development (“**R&D**”) strategy of developing “equipment + instruments + consumables” surgical solutions, we continue to focus on investing for the future in both advanced medical technology and recruitment of talent. In 2021, we commenced operation for a new R&D center in Xiaoshan district of Hangzhou, with the goal of building a team that focuses on more advanced and innovative technology and product development. We had a net increase of 10 new R&D professionals in 2021, bringing the total to 92 and most of the new recruits are now based in our new office. In 2021, we obtained a total of 9 new domestic registration approvals, excluding renewal registrations but including 4K-ultra resolution endovision camera system and disposable powered endoscopic stapler and reloads. We also registered a total of 26 new patents in China, which included 1 invention patent, 24 utility patents and 1 design patent. As of December 31, 2021, the Company had obtained a total of 186 domestic patents, including 17 invention patents, 140 utility patents and 29 design patents.

In December 2021, Hangzhou Kangji was recognized by Zhejiang Provincial Department of Science and Technology (浙江省科學技術廳) as one of the key provincial enterprise research institutes (省重點企業研究院) in Zhejiang province.

In 2022, we expect to receive registration approvals for new products such as 4K UHD Fluorescence Camera System and 4K laparoscopes, endoscopic multiple titanium clips and reposable clip applicator, absorbable clips, and upgraded disposable trocars with more functions. Even though these products will not have meaningful contribution to sales in 2022, they will further enrich our product portfolio and diversify our revenue mix.

## Sales and Distribution

During the Reporting Period, we continue to expand our distributor network and deepen our product penetration. We increased our distributors by more than 30% in 2021 and our sales have covered more than 240 new hospitals, approximately half of which were Class IIIA hospitals. 2021 was the first year of commercial launch for our new products namely ultrasonic scalpels and 4K-ultra resolution endovision camera systems. Our distributors focused on completing each hospital's approval procedure for equipment purchase capital spending as well as gradually building installation base through trial use and collecting feedback on the products. We expect sales to ramp up more quickly in 2022. We also encouraged and incentivized our distributors to explore opportunities across our product portfolio, especially for underpenetrated products that are not subject to VBP but have huge potential in our addressable markets, such as single-site trocars, disposable electrocoagulation forceps, and other disposable products.

In 2021, we focused our academic promotional effort on differentiated, thematic, and more product-centric academic promotion activities in order to more effectively raise our brand awareness within our targeted surgical specialties. We sponsored multiple in-person events such as the inauguration event for establishing the Obstetric Minimally Invasive Surgical Division of the Chinese Association of Medical Equipment (中國醫學裝備協會產科微創外科手術分會), but due to ongoing COVID limitations, we could not sponsor or carry out any sizeable national event. Nevertheless, we successfully conducted many events online, such as training series on single-site trocar products (單孔康基學院), post-operative nursing lectures (康基護理課堂), as well as our online weekly Saturday live procedure forum and Q&A session where we invite key opinion leaders (“KOLs”) to answer questions and provide clinical insights. Another highlight in 2021 was the central online academic promotion platform (康基學術平台) we built and launched. This online platform serves several purposes. It provides access to our live streaming channel, calendar of both online and offline academic promotion events, and a library of past event recordings. It has a catalogue of our key products and video demonstrations, offering hands-on techniques and practical takeaways for physicians while highlighting our differentiated product features. It also helps us continue to expand our network of KOLs and physicians across surgical specialties and regions. In 2022, we will implement ongoing optimization of our distribution channels and further develop our academic promotion capability.

## Forward Outlook

Despite the uncertainty for the ongoing medical reforms and VBPs for medical device products, we believe we can adapt our sales model according to specific local market dynamics and mitigate potential impact on the profitability of our VBP products through gaining sales volume increase and deepening the penetration of our non-VBP products. We have plans to recruit talent across functions to enhance our management infrastructure and improve on retaining talent through ongoing training and more effective evaluation-reward system. In terms of revenue for our business, we are aiming for similar growth rate in 2022 as in 2021 for domestic sales and slightly higher than domestic growth rate for overseas sales, subject to macroeconomic uncertainties.



## FINANCIAL REVIEW

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

### Revenue

	<b>For the year ended December 31,</b>		
	<b>2021</b>	2020	Changes
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b>Disposable products</b>			
Disposable trocars	<b>334,123</b>	238,176	40.3
Polymer ligation clips	<b>178,440</b>	156,141	14.3
Disposable electrocoagulation forceps	<b>71,140</b>	43,197	64.7
Ultrasonic scalpels	<b>11,771</b>	1,468	701.8
Other disposable products <sup>(1)</sup>	<b>13,863</b>	10,284	34.8
<i>Sub-total</i>	<b>609,337</b>	449,266	35.6
<b>Reusable products<sup>(2)</sup></b>	<b>80,926</b>	62,224	30.1
<b>Total</b>	<b>690,263</b>	511,490	35.0

Notes:

- (1) Other disposable products primarily include, among others, disposable suction and irrigation sets and retrieval bags.
- (2) Reusable products primarily include reusable trocars, reusable forceps and other reusable products.

Our revenue amounted to RMB690.3 million for the year ended December 31, 2021, representing an increase of 35.0% as compared to RMB511.5 million for the year ended December 31, 2020. The increase in revenue was primarily attributable to: (i) the significant recovery in elective surgery volume in China after the containment of COVID pandemic, resulting in the increase in demand for the Group's products; (ii) expansion and optimization of our distributor network driving the expansion and penetration of our end markets across our product portfolio; (iii) contribution from sales of new products, and (iv) growth in export sales as demand in overseas market recovered and our customers' operations returned to normal level.



## **Disposable Products**

Our disposable products include disposable trocars, polymer ligation clips, disposable electrocoagulation forceps, ultrasonic scalpels, and other disposable products. Our disposable products recorded revenue of RMB609.3 million for the year ended December 31, 2021, representing an increase of 35.6% as compared to RMB449.3 million for the year ended December 31, 2020. Such increase was mainly attributable to the year-on-year growth in revenue generated by sales of disposable trocars, polymer ligation clips and disposable electrocoagulation forceps. Demand for disposable products recovered much faster than for reusable products, as there was a more immediate need for product replenishment along with the recovery of surgery volume. During the Reporting Period, sales of disposable products accounted for 88.3% of our total revenue as compared to 87.8% in 2020.

Disposable trocars recorded revenue of RMB334.1 million for the Reporting Period, representing an increase of 40.3% as compared with RMB238.2 million in 2020. Disposable trocars accounted for approximately 48.4% of our total revenue during the Reporting Period as compared to 46.6% in 2020. Sales of disposable trocars grew during the Reporting Period mainly because elective surgery volume had in general returned to the pre-pandemic level, and we also got a significant boost in sales volume of disposable trocars in Shandong province after the implementation of VBP in 2021. For the Reporting Period, our sales of disposable trocars in Shandong province are more than doubled as compared to 2020. This was partially offset by a decrease in sales revenue of disposable trocars in Fujian province due to the change in booking revenue under the “two-invoice” system based on VBP price point. For a second consecutive year, we continued to drive sales of single-site trocars, which has increased by 70.6% year-on-year and accounted for approximately 6.9% of our total revenue from disposable trocars.

Sales of polymer ligation clips grew at a slower pace in 2021 partly due to the uncertainty in regional VBP and as a result, our distributors were more cautious in stocking up products in anticipation of general price cut.

Disposable electrocoagulation forceps continued to experience a rapid growth in demand and recorded higher sales growth than other disposable products for the Reporting Period following the ease of the pandemic. This can be mainly attributed to the low market penetration of the product segment and our focused effort to drive sales across the product portfolio.

## **Reusable Products**

Our reusable products recorded revenue of RMB80.9 million for the year ended December 31, 2021, representing an increase of 30.1% as compared with RMB62.2 million for the year ended December 31, 2020. Such increase was mainly due to the recovery of demand for reusable products as well as the fact that face-to-face marketing activities at hospitals, which are essential for these non-standardized products, were resumed along with the ease of COVID related restrictions. Besides, the launch of 4K-ultra resolution endovision camera systems during the year of 2021 has contributed to the increase in revenue from reusable products.

## Sales Channel

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

Revenue from overseas markets was approximately RMB48.5 million for the year ended December 31, 2021, representing an increase of 35.8% from the same period in 2020. We recorded export sales growth of 45.3% on a constant currency basis in terms of United States Dollar (“USD”), which is the transaction currency of our export sales. The depreciation of USD against RMB as compared to the same period in 2020 has resulted in a negative impact to our reported overseas sales in RMB. Revenue from overseas markets accounted for 7.0% of our total revenue for the year of 2021 as compared to 7.0% in 2020.

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

	<b>For the year ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>Changes</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b>Domestic</b>			
– Distributors	<b>582,573</b>	430,858	35.2
– Hospitals and other customers <sup>(1)</sup>	<b>59,180</b>	44,898	31.8
<i>Sub-total</i>	<b>641,753</b>	475,756	34.9
<b>Overseas</b>			
– ODM customers	<b>43,703</b>	32,153	35.9
– Distributors	<b>4,807</b>	3,581	34.2
<i>Sub-total</i>	<b>48,510</b>	35,734	35.8
<b>Total</b>	<b>690,263</b>	511,490	35.0

*Note:*

- (1) Other customers include distribution companies we sell to directly for products under the “two-invoice” system and under VBPs that have been implemented in Shandong and Fujian provinces for the year of 2021.

## Cost of Sales

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

For the year ended December 31, 2021, our cost of sales was RMB127.3 million, representing an increase of 59.1% as compared with RMB80.0 million for the year ended December 31, 2020. The increase in cost of sales was primarily in line with the increase in sales revenue. The contribution of raw material cost to total cost of sales increased as compared to the same period in 2020, which was mainly driven by the launch of our new products including ultrasonic scalpels and 4K-ultra resolution endovision camera systems that utilize a higher proportion of raw materials, and the increase in plastic and steel prices. In the meantime, direct labor costs and manufacturing costs increased to a lower extent than that of sales revenue due to the effects of the economies of scale through increasing our production.

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

	For the year ended December 31,			
	2021		2020	
	Amount	% of total RMB'000 (except percentages)	Amount	% of total
Raw materials	59,850	47.0	34,647	43.3
Direct labor costs	37,278	29.3	25,792	32.2
Manufacturing costs <sup>(1)</sup>	30,209	23.7	19,581	24.5
<b>Total</b>	<b>127,337</b>	<b>100.0</b>	<b>80,020</b>	<b>100.0</b>

Note:

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

## Gross Profit and Gross Margin

Our gross profit increased by 30.5% to RMB562.9 million for the year ended December 31, 2021 from RMB431.5 million for the year ended December 31, 2020, due to an increase in sales.

Our gross margin was 81.6% for the year ended December 31, 2021, down from 84.4% for the year ended December 31, 2020, which was primarily due to (1) the change in product mix attributable to sales contribution from new products including ultrasonic scalpels and 4K-ultra resolution endovision camera systems as well as the decrease in sales contribution from polymer ligation clips which have higher gross margins than our other products; (2) the decrease in gross margin for disposable trocars in Fujian province as a result of the implementation of VBP from under the “two-invoice” system; and (3) a slight increase in raw material costs and shipping cost.

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

	For the year ended December 31,			
	2021		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000 (except percentages)</i>			
Disposable products	516,769	84.8%	392,452	87.4%
Reusable products	46,157	57.0%	39,018	62.7%
<b>Total</b>	<b>562,926</b>	<b>81.6%</b>	<b>431,470</b>	<b>84.4%</b>

### Other Income and Gains

Other income and gains primarily consist of government grants, bank interest income, investment income from short-term financial products, fair value gain on equity investment and foreign exchange gain. Other income and gains for the year ended December 31, 2021 was RMB120.8 million, while for the year ended December 31, 2020, it was RMB57.1 million. The increase was primarily due to (1) an increase of RMB21.5 million and RMB12.9 million in bank interest income and investment income from financial assets at fair value through profit or loss, respectively as we deposited the unutilized net proceeds from the Global Offering into short-term demand deposits and/or money market instruments including short-term financial products purchased from banks for the purpose of hedging foreign exchange risk; (2) fair value gain of RMB31.6 million from our equity investment in Jingfeng Medical; and (3) an increase in foreign exchange gain of RMB3.1 million as explained in the section headed “foreign exchange exposure” below.

### Selling and Distribution Expenses

Selling and distribution expenses were RMB46.5 million for the year ended December 31, 2021, representing a decrease of 4.9% as compared with RMB48.9 million for the year ended December 31, 2020. The decrease was primarily due to (i) the decrease in share-based payment expenses associated with our RSUs granted to sales and distribution staffs; and (ii) the decrease in marketing and promotion fees paid to external partners in Fujian province as a result of the implementation of VBP for disposable trocars starting in June 2021. The effect of the decrease was partially offset by the increase in staff costs associated with our new sales and distribution management center in Beijing.

## **Administrative Expenses**

Administrative expenses amounted to RMB62.7 million for the year ended December 31, 2021, representing a decrease of 19.7% as compared with RMB78.0 million for the year ended December 31, 2020. The decrease was mainly due to the absence of listing expense and reduction of share-based payment expenses for the Reporting Period. Excluding the listing expense and share-based payment expense, our administrative expenses increased by RMB21.5 million or approximately 57.6% for the Reporting Period as compared to the corresponding adjusted amount in 2020 mainly due to an increase in staff costs, office and entertainment expenses, and external consultants' fees.

## **Research and Development Expenses**

R&D expenses for the year ended December 31, 2021 was RMB36.0 million, representing an increase of 42.7% as compared with RMB25.2 million for the year ended December 31, 2020, primarily due to the increase in material costs, staff costs and testing and registration fees as we established the new R&D center in Xiaoshan district of Hangzhou, and launched additional research and development projects. The increase was partly offset by the decrease in share-based payment expense associated with RSUs granted to R&D staff.

## **Other Expenses**

Other expenses primarily consist of donation, foreign exchange loss, and loss on disposal of assets. During the Reporting Period, we recorded other expenses of RMB3.8 million for the year ended December 31, 2021, representing a decrease of 85.5% from RMB26.3 million in 2020. The decrease was mainly due to the absence of foreign exchange loss as we recorded foreign exchange gain in the year of 2021. Other than foreign exchange loss, other expenses have increased by RMB2.5 million attributable to the increase in donation.

## **Income Tax Expenses**

Income tax expenses were RMB77.7 million for the year ended December 31, 2021, representing an increase of 52.6% as compared with RMB50.9 million for the year ended December 31, 2020. The increase in income tax expenses was primarily due to the increase in taxable profit for the Reporting Period as well as an increase in the amount of RMB7.1 million in withholding taxes associated with the proposed dividends for 2021.

## **Non-HKFRS Adjusted Net Profit for the Year**

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

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

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the year</b>	<b>456,789</b>	259,150
Add/(Less):		
Fair value gain on equity investment	<b>(31,604)</b>	–
Foreign exchange difference	<b>(3,115)</b>	25,039
Listing expenses	–	32,314
Share-based payment expenses	<b>8,285</b>	18,001
Non-HKFRS adjusted net profit for the year	<b>430,355</b>	334,504

*Notes:*

- (1) Fair value gain on equity investment is non-operational in nature which mainly arises from the change in fair value of our investment in Jingfeng Medical for the periods, the amount of which may not directly correlate with the underlying performance of our business operations.
- (2) Foreign exchange difference is non-operational in nature which mainly arises from the currency fluctuation of USD against RMB for the periods, the amount of which may not directly correlate with the underlying performance of our business operations.
- (3) Share-based payment expenses are non-operational expenses arising from granting RSUs and pre-IPO share options to selected management members, the amount of which may not directly correlate with the underlying performance of our business operations, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities.
- (4) Listing expenses are one-off expenses in relation to the listing of our Shares on the Stock Exchange.

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

## **Liquidity and Capital Resources**

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

As of December 31, 2021, we had cash and cash equivalents of RMB2,953.7 million, as compared with RMB2,232.0 million as of December 31, 2020.

As at December 31, 2021, most of our cash and cash equivalents were denominated in RMB, USD and HK Dollars.

## **Net Current Assets**

We had net current assets of RMB3,051.8 million as of December 31, 2021, representing an increase of RMB197.2 million as compared with RMB2,854.6 million as of December 31, 2020. The increase in net current assets was primarily due to the net increase in cash and cash equivalents generated from our operations.

## **Foreign Exchange Exposure**

During the Reporting Period, the Group's operations were primarily based in the mainland China. Assets, liabilities and transactions in the PRC are mainly denominated in RMB, while overseas assets and transactions are mainly denominated in RMB and USD. We are exposed to foreign currency risks, primarily including account receivables, account payables and cash balances that are denominated in a foreign currency, i.e., a currency other than our functional currency. For the year ended December 31, 2021, the Group recorded an exchange gain of RMB3.1 million, as compared to an exchange loss of RMB25.0 million for the year ended December 31, 2020, primarily attributable to the remeasurement gain of our RMB denominated cash balances held by offshore entities (with USD as their functional currency) along with the appreciation of RMB against USD during the year of 2021, the effect of which is partly offset by the exchange loss arising from our export sales and the remeasurement loss of USD denominated cash balances held by our operating entities in the PRC.

As at December 31, 2021, certain assets and liabilities of the Group held outside the mainland China (mainly consisting of cash and cash equivalents deposited in banks in Hong Kong) were denominated in USD or HK\$. Such amount was translated into RMB at the exchange rate applicable as at the end of the Reporting Period. Due to the depreciation of USD and HK\$ against RMB, the Group recorded a net decrease in exchange fluctuation reserve of RMB44.9 million during the Reporting Period (for the year ended December 31, 2020: RMB196.9 million) which partially offset the increase of the Group's net assets as at December 31, 2021.

The Group has been actively monitoring and overseeing its foreign exchange risks and mitigating its risk exposure with the use of short-term financial products. During the Reporting Period, the Group purchased dual-currency products issued by financial institutions with the aim of hedging against potential depreciation of USD against RMB for a small portion of the net proceeds received from the Global Offering that were temporarily standing idle.

## **Capital Expenditure**

For the year ended December 31, 2021, the Group's total capital expenditure amounted to approximately RMB34.0 million, which was primarily used in construction of buildings and purchase of machinery, equipment and motor vehicles. The Group's capital expenditure for the year ended December 31, 2020 was approximately RMB14.3 million.



The following table sets forth our net capital expenditures as at the dates indicated:

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Plant and machinery	<b>10,803</b>	6,238
Construction in progress	<b>5,905</b>	1,984
Furniture and fixtures	<b>6,064</b>	822
Motor vehicles	<b>1,657</b>	5,276
Buildings	<b>9,542</b>	—
<b>Total</b>	<b><u>33,971</u></b>	<b><u>14,320</u></b>

### **Charge of Assets/Pledge of Assets**

As of December 31, 2021, we did not have any charge of assets or pledge of assets.

### **Borrowings**

As of December 31, 2021, we did not have any outstanding bank loans and other borrowings. We monitor capital using a gearing ratio, which is debt divided by total assets. Debt includes trade payables, other payables and accruals, and lease liabilities. As of December 31, 2021, the gearing ratio of the Group was 2.8% (as of December 31, 2020: 2.3%).

### **Contingent Liabilities**

As of December 31, 2021, we did not have any outstanding contingent liabilities.



## Major Investments, Acquisition and Disposal

On January 12, 2021, Kangji Medical (Hong Kong) Limited (“**Kangji Hong Kong**”), a wholly-owned subsidiary of the Company entered into an investment agreement with Shenzhen Jingfeng Medical Technology Co., Ltd.\* (深圳市精鋒醫療科技有限公司) (“**Jingfeng Medical**”), pursuant to which, Kangji Hong Kong agreed to invest RMB80 million to subscribe for approximately 2.03% of the enlarged registered share capital of Jingfeng Medical at that time in Jingfeng Medical’s round B financing. Jingfeng Medical focuses on developing surgical robotic products and instruments for laparoscopic surgery in China.

Jingfeng Medical had not recorded any revenue or profit as of the date of the investment, and there was no material change to the performance and future prospect of Jingfeng Medical during the Reporting Period.

Save as disclosed above and in the section headed “Events after the Reporting Period” and as of the date of this announcement, the Group did not hold any major investments in the form of equity interest of any other companies, or have any other major acquisition or disposal.

## Future Plans for Material Investments and Capital Assets

The Group intends to utilize the net proceeds raised from the Global Offering to pursue strategic investment and to fund acquisition of capital assets for our expansion in the manner set out in the prospectus of the Company dated June 16, 2020 (the “**Prospectus**”) and further explained in section headed “Use of Proceeds from the Global Offering” below. Save as disclosed in this announcement, the Group did not have any plan for material investments and capital assets.

## Employee and Remuneration Policy

As of December 31, 2021, the Group had 725 employees (December 31, 2020: 637 employees). Total staff remuneration expenses including remuneration of the Directors and share-based payment expenses for the year ended December 31, 2021 amounted to RMB93.3 million (for the year ended December 31, 2020: RMB69.6 million).

The remuneration of Directors and senior management is determined with reference to the salaries of comparable companies and their experience, duties and performance. The remuneration of other employees is determined with reference to performance, skills, qualifications and experience of the staff concerned and in accordance with the prevailing industry practice.

In recognition of the contributions of our Directors, senior management and employees and to incentivize them to further promote our development, the Company adopted the pre-IPO share option plan and the RSU plan on May 6, 2020. During the Reporting Period, 5,620,000 RSUs under the RSU plan were granted to our senior management and employers. As at December 31, 2021, a total of 26,810,000 RSUs had been granted under the RSU plan.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

The net proceeds from the Global Offering of the Company (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in that same manner, proportion and the expected timeframe as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2021:

Use of proceeds	Percentage of total net proceeds (%)	Planned applications (HK\$ million)	Planned applications (RMB million)	Revised application of total net proceeds <sup>(1)</sup> (RMB million)	Utilization during the year ended December 31, 2021 (RMB million)	Actual usage up to December 31, 2021 (RMB million)	Unutilized net proceeds as at December 31, 2021 (RMB million)	Expected timeframe for unutilized net proceeds (from the date of listing)
<b>For expanding our production capacity and strengthen our manufacturing capabilities, including:</b>								
to expand production capacity of our current products and further automate existing production lines	9.8	273.5	249.9	264.3	6.6	7.0	257.3	within three to five years
to build up production capabilities for pipeline products	10.2	284.7	260.1	275.1	13.1	18.3	256.8	within six years
<b>For funding our R&amp;D activities, including:</b>								
to establish R&D centers	17.0	474.5	433.5	458.5	7.7	7.7	450.8	within four years
for development and expansion of our product pipeline	8.0	223.3	204.0	215.8	34.1	47.1	168.7	within five to six years
<b>For investing in our sales and marketing activities, including:</b>								
to be used in our domestic sales and marketing activities <sup>(2)</sup>	15.0	418.6	382.5	404.5	12.0	18.1	386.4	within four to five years
to increase our overseas sales	5.0	139.6	127.5	134.9	0.4	0.4	134.5	within three to five years
<b>For funding potential strategic investment and acquisitions</b>	25.0	697.8	637.5	674.3	80.1	80.1	594.2	within five years
<b>For our working capital and general corporate purposes</b>	10.0	279.1	255.0	269.7	51.0	72.3	197.4	within four to six years
<b>Total</b>	<b>100.0</b>	<b>2,791.1</b>	<b>2,550.0</b>	<b>2,697.1</b>	<b>205.0</b>	<b>251.0</b>	<b>2,446.1</b>	

### Notes:

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

## OTHER INFORMATION

### **Compliance with the Corporate Governance Code applicable during the Reporting Period (the “CG Code”)**

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

The Company has adopted the code provisions of the CG Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the Reporting Period, except for a deviation from the code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 since January 1, 2022), the roles of chairman and chief executive officer of the Company are not separate and are both performed by Mr. ZHONG Ming. The Company is an investment holding company with a professional management team to monitor the operations of the subsidiaries. The Board considers that vesting the roles of chairman and chief executive officer in the same person is more efficient in the direction and management of the Company and does not impair the balance of power and authority of the Board and the management of the business of the Company. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

### **Compliance with the Model Code for Securities Transactions**

The Company has adopted the Guidelines for Securities Transactions by Directors (the “**Written Guidelines**”) on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines for the year ended December 31, 2021. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

### **Purchase, Sale or Redemption of the listed Securities of the Company**

The Company repurchased a total of 7,031,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$62.1 million during the year ended December 31, 2021 (2020: nil) at price ranging from HK\$7.30 to HK\$10.32. The particulars of the share repurchase are set out in Note 13 to the consolidated financial statements.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed interest in any of the Company’s listed Shares during the year ended December 31, 2021.

## **Annual General Meeting (the “AGM”)**

The AGM of the Company will be held on May 25, 2022. The notice of the AGM will be sent to the Shareholders at least 21 days before the AGM.

## **Final Dividend**

The Board has resolved to recommend the payment of a final dividend of HK17.23 cents per Share for the year ended December 31, 2021 to the Shareholders whose names appear on the register of members of the Company on June 6, 2022, subject to the approval of the Shareholders at the AGM. Once the relevant resolution is passed at the AGM, the proposed final dividend is expected to be paid on or about June 28, 2022.

## **Closure of Register of Members**

- (a) For the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from May 20, 2022 to May 25, 2022 both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on May 19, 2022.
- (b) For determining the entitlement to the proposed final dividend for the year ended December 31, 2021 subject to the approval by the Shareholders at the AGM, the register of members of the Company will be closed from May 31, 2022 to June 6, 2022 both days inclusive. In order to qualify for the proposed final dividend, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on May 30, 2022.

## **Review of Annual Results**

The audit committee of the Company (the “**Audit Committee**”) consists of two independent non-executive Directors, Mr. CHEN Weibo, Mr. JIANG Feng and one non-executive Director, Ms. CAI Li. The chairman of the Audit Committee is Mr. CHEN Weibo. The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2021 and has recommended for the Board's approval thereof.

The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2021. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

This annual results announcement is based on the audited consolidated financial statements of the Group for the year ended December 31, 2021.

## Events after the Reporting Period

On January 18, 2022, Kangji Hong Kong, a wholly-owned subsidiary of the Company, entered into an equity investment agreement with, among others, Hangzhou Weijing Medical Robot Co., Ltd.\* (杭州唯精醫療機器人有限公司) (“**Hangzhou Weijing**”), and existing shareholders of Hangzhou Weijing, to (i) subscribe for 32.75% equity interests in Hangzhou Weijing at a consideration of RMB340 million; and (ii) acquire an aggregate of 2.25% equity interests in Hangzhou Weijing on a fully diluted basis from two of the shareholders at an aggregate consideration of RMB22,870,000. Hangzhou Weijing is primarily engaged in the research and development and production of the endoscopic surgical instruments control system, and is about to commence clinical trials for its surgical robotic products for laparoscopic surgery. Upon completion of the investment, Hangzhou Weijing, being held as to 35% by Kangji Hong Kong, will become an indirect non-wholly owned subsidiary of the Company and the financial results of Hangzhou Weijing will be consolidated into the Company’s consolidated financial statements. The completion of the investment has been divided into two phases and the first phase has been completed on February 24, 2022. Please refer to the announcement of the Company dated January 18, 2022 for further details.

Save as disclosed above, no significant event occurred since the end of the Reporting Period and up to the date of this announcement.

## Publication of Annual Results and Annual Report

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.kangjimedical.com](http://www.kangjimedical.com)). The annual report for the year ended December 31, 2021 containing all the information in accordance with the requirements under the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

## APPRECIATION

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

By order of the Board  
**Kangji Medical Holdings Limited**  
**ZHONG Ming**  
*Chairman*

Hangzhou, PRC, March 22, 2022

*As at the date of this announcement, the Board comprises Mr. ZHONG Ming, Ms. SHENTU Yinguang and Ms. Frances Fang CHOVANEC as executive Directors; Ms. CAI Li and Mr. CHEN Gang as non-executive Directors; and Mr. JIANG Feng, Mr. GUO Jian and Mr. CHEN Weibo as independent non-executive Directors.*

\* For identification purpose only