



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

2023



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

Mr. Eric Wang

COMPANY SECRETARY

Ms. Han Yu

AUTHORIZED REPRESENTATIVES

Ms. Zhang Bin

Ms. Han Yu

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

2/F, Xingye Building

10 Baifuquan Road

Changping District Science and Technology Park

Beijing

China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place,

348 Kwun Tong Road, Kowloon

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

CORPORATE INFORMATION

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
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

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

	Six months ended 30 June		Variance %
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	
Revenue	648,686	531,211	22.1%
Gross profit	401,565	338,535	18.6%
Profit for the period	132,574	126,033	5.2%
Profit attributable to equity shareholders of the Company	132,574	126,033	5.2%
Earnings per share			
Basic	RMB0.12	RMB0.11	
Diluted	RMB0.12	RMB0.11	

CHAIRMAN'S STATEMENT

Dear shareholders,

First of all, on behalf of the board (the "**Board**") of directors (the "**Directors**") of AK Medical Holdings Limited (the "**Company**"), thank you for your continued support for the Company and its subsidiaries (together, the "**Group**" or "**we**").

In the first half of 2023, with the end of the COVID-19 pandemic, orthopedic surgeries in China saw a rapid uptick in the second half of the first quarter and then stabilised at a relatively rapid growth level. In the meantime, the stable implementation of the volume-based procurement ("**VBP**") policy further accelerated import substitution, and domestic brands continued to expand their market share.

As of 30 June 2023, the Group achieved revenue of approximately RMB649 million, representing a year-on-year increase of 22.1%, and posted profit of approximately RMB133 million, representing a year-on-year increase of 5.2%.

Over the past two years, we won the bid for national VBP of hip and knee consumables and spine consumables. Driven by the VBP policy, we seized new opportunities in development and competition. In respect of the joint field, we were committed to creating an image of a 'joint master' with innovative technologies and products as well as integrated solutions in the first half of 2023. In terms of spine, 3D printing technology enables more complex implants to be designed and manufactured, and makes us become a specialist in spinal fusion. We extended 3D-printed products to national and provincial hospitals, further enhanced the coverage of innovative products in provincial Grade 3, Class A hospitals and increased our market share in these hospitals.

We insist on building an innovation-led R&D system that combines technologies with the market. In the first half of 2023, we launched and marketed five new products, such as 3D-printed tibial plateau based on 3D printing technology, Osteo Match biomechanically adapted interbody fusion cage, Apollo self-stabilising artificial vertebral body, and TCBridge metallic additive manufactured and matched prosthesis for repair of large segmental bone defects.

We firmly believe that the orthopedic industry will continue to gradually recover from the impact of COVID-19 and return to and maintain the pre-pandemic relatively rapid growth level. In the future, the Group will keep upholding its vision of becoming a leading brand in the world and empower orthopedics with its 3D printing technology platform and navigation and robotic digital orthopedic technology platform built on its leading R&D capabilities, in a bid to further gain its market share, innovate continuously, and give back to its shareholders, customers and society!

Li Zhijiang

Chairman

Hong Kong, 22 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

Business Overview

In the first half of 2023, with the end of the COVID-19 pandemic, the national orthopedic surgery volume experienced rapid growth in the latter part of the first quarter and then stabilized at a relatively fast growth rate. The steady implementation of the VBP policy also accelerated the import substitution, leading to further expansion of the market share for domestic brands. The Company continuously introduced innovative products, further strengthening its coverage of provincial-level hospitals and increasing its market share in these hospitals.

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB648.7 million and profit of approximately RMB132.6 million, representing increases of 22.1% and 5.2%, respectively, compared to the same period of the previous year.

Hip and Knee Implants Business

The hip and knee implants under this segment include those manufactured by regular technology and those by 3D printing technology. The Group provides customers and patients with a full line of joint implants manufactured by different technologies, including hip and knee implants and instruments suitable for primary, complicated, revision, and reconstructive surgeries.

In the first half of 2023, there was a notable recovery in the volume of hip and knee joint implants, driven by the further promotion of new products such as partial knee implants. This contributed to a significant growth in revenue for hip and knee joint procedures. For the six months ended 30 June 2023, the Group's revenue from hip and knee products was approximately RMB552.5 million, a year-on-year increase of 21.2%.

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 leading 3D printing technology, the Group has developed a differentiated product portfolio. On one hand, the Company utilizes 3D printing technology to provide comprehensive solutions for spinal fusion surgeries. On the other hand, it continues to explore the application of 3D printing customization technology in the field of spine and trauma to meet various customer needs.

In September 2022, National Healthcare Security Administration (“**NHSA**”) conducted National VBP of Spine Consumables. Spine products of the Group's Libeier and AK brands have won the bidding. In March 2023, the nationwide implementation of VBP for spine products commenced. The Company, through its leading 3D printing technology and rich product lines, has provided surgeons with more choices and allowed the Company to gain access to more high-level hospitals, accelerate the substitution of imports, and increase its market share.

For the six months ended 30 June 2023, the Group's revenue from spinal and trauma implants reached approximately RMB50.2 million, a year-on-year increase of 10.8%.

MANAGEMENT DISCUSSION AND ANALYSIS

Customised Products and Services

The customised product, an orthopedic implant, is designed based on different patients' anatomy data and pathological characteristics, and manufactured by 3D printing technology. At present, the Group has four Class-III 3D-printed customised products registration certificates approved by the China National Medical Products Administration ("**NMPA**"), as well as 62 customised products filings with cooperating hospitals.

The Group has established the Innovative Customized Orthopedic Solution ("**ICOS**") platform, utilizing advantages in 3D printing and image processing, with the goal of creating an innovative orthopedic customization platform. Within this platform, services and products are offered, including preoperative planning, printing of bone models, customized osteotomy guides, and 3D-printed customised implants, covering various areas such as joints, spine, trauma, and pelvis. Leveraging this platform, the Group collaborates with hospitals nationwide to establish 3D printing orthopedic customisation workstations, facilitating the research, registration, and promotion of related customised products. Currently, the Group has established partnerships with several prominent tertiary hospitals.

In the first half of 2023, the Company obtained two new registration certificates for customised products and secured the approval through the "Special Review Procedure for Innovative Medical Devices" for the metal additive manufacturing thoracolumbar fusion matching prosthetic system, classified as a Class III innovative medical device. The Company successfully established a customised production order system, built a customised imaging database, and implemented a customised design and development process with an evaluation and review system. These efforts further enhanced the maturity of the ICOS orthopedic customization platform, enriching the Group's 3D printing solutions.

For the six months ended 30 June 2023, the Group's income from customised product and services reached approximately RMB27.8 million, a year-on-year increase of 31.5%.

Research and Development

The Group continues to build an innovative, technology-integrated and market-oriented research and development ("**R&D**") system, not only realizing iterative upgrade of product lines within the scope of VBP so as to drive the innovation of joint implants with market demands, but also satisfying clinical differentiation by taking advantages of 3D printing technologies and researching and developing diversified and customised products. Meanwhile, the Company has stepped into the fields of digital intelligent orthopedics and biological materials.

In the field of orthopedic implants, the Company has obtained the registration certificate for the metal 3D-printed tibial platform, marking another significant breakthrough in the Company's knee joint 3D printing products. This achievement further enhances the Company's knee joint product portfolio, officially introducing domestic knee joint products into the era of 3D printing and bridging a gap between domestic and international levels.

Positioning itself as fusion experts empowered by innovative technology, in the first half of 2023, the Company launched a series of innovative new products based on 3D printing technology in the spine and trauma domain, which gained attention from the market. These products include the followings:

- (1) **Osteo Match Biomechanically Adaptive Interbody Fusion Device:** This product is the result of collaboration between the Company and research experts, making it the first domestically developed interbody fusion device with biomechanical adaptability. The Osteo Match product is equipped with biomechanical adaptability, providing a lower gradient elastic modulus compared to the currently available titanium alloy and PEEK fusion devices. In the future, Osteo Match will be developed into a product system with three major functions: "Biomechanical Adaptation", "Biological Activity Loading", and "AI Algorithm Assistance", encompassing all aspects of spinal surgery.
- (2) **Apollo Self-Stabilizing Artificial Vertebral Body:** Developed through innovative collaboration between the Company and Chinese orthopedic experts, it is the world's first ACCF (Anterior Cervical Corpectomy and Fusion) zero-profile 3D printed fusion product. This product is used in cervical spine surgeries for open internal fixation, which replaces the conventional use of titanium plates combined with titanium mesh.

MANAGEMENT DISCUSSION AND ANALYSIS

- (3) The TCBridge metal additive manufacturing matching long segment bone defect repair system: This product is manufactured using 3D printing technology which can be customised according to the patient's anatomical structure for the reconstruction and treatment of large bone defects caused by trauma, tumors, infections, osteomyelitis and more. This product pioneers a new approach to personalized treatment for long segment bone repair, catering to individual patient needs and advancing the field of trauma orthopedic repair and reconstruction technology to a new level.
- (4) The ReTruss metal additive manufacturing thoracolumbar fusion customized prosthetic system: This product is approved through an innovative medical device special approval process, designed based on the patient's spinal anatomical structure, and manufactured using 3D printing technology. It is used for structural reconstruction surgeries following multi-level vertebral body resections due to tumors or other pathological conditions.

In the field of innovative materials, the Company took the lead in applying for the innovative task of the Ministry of Industry and Information Technology (“MIIT”) of the People’s Republic of China (“PRC” or “China”) and NMPA jointly organised project for the biomedical ultra-high molecular weight polyethylene material. This initiative aims to promote the localization of high-end biomedical wear-resistant polyethylene materials.

In the field of intelligent devices, the Company has obtained the registration certificate for the orthopedic CT image processing software. This software enables image import, processing, display, and storage (excluding automatic diagnosis). It can be used independently within the scope of the mentioned applications and can also be used in conjunction with the Company’s joint replacement surgery navigation system and surgical robotic system.

In the first half of 2023, the Company actively participated in the construction of the National Orthopedic Center and established a strategic partnership. Together, the Company co-founded a 3D printing joint laboratory and conducted a series of collaborations and developments in prosthetics and technologies, effectively addressing gaps in this field.

The Group currently holds 83 registration certificates for Class III medical devices approved by the NMPA, including 17 certificates for 3D-printed products, of which four are for 3D-printed customised products.

Marketing and Sales

In the first half of 2023, the Company focused on offering innovative technology and products as well as total solution initiatives to make breakthroughs in the markets of national and provincial hospitals and increase its market share in those areas. The Company aimed to consolidate its presence in city-level, county-level, and private hospitals through differentiated products, reshaping the value of its commercial supply chain. By emphasizing innovation and new technology, the Company strengthened its image as pioneers in orthopedic innovation. Through sustained efforts, the Company achieved continuous breakthroughs in key hospitals during the first half of 2023. The Company actively promoted the import substitution, resulting in a significant increase in the proportion of surgeries conducted in national and provincial hospitals.

In the field of joint business:

The Company has placed a strong emphasis on breakthroughs and increasing surgical volumes in national and provincial hospitals. In the first half of 2023, the Group actively continued to promote innovative technology and clinical total solutions and further advanced brand projects, such as “Pathways”. The Company focused on promoting surgical education projects for surgeons related to new products, technologies and procedures. In addition, the Company established international academic education and exchange platforms to facilitate knowledge-sharing and collaboration.

As the demand for stepwise knee preservation treatments among young patients continues to grow, there is an urgent need for surgeons nationwide to have a comprehensive understanding of knee preservation concepts and surgical techniques. The Group has conducted a series of education programs, which aims to enhance surgeons’ knowledge of knee preservation concepts and surgical techniques.

In the first half of 2023, the Company organised a special edition of the Pathways Revision Salon. The Company invited nearly a hundred international experts to participate in offline academic discussions, fostering international academic exchange and enhancing the academic brand of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

In the field of spine and trauma:

Leveraging the 3D spinal products, the Company expanded its spine business to nearly 200 hospitals in the first half of 2023, with almost 30 of them being provincial and national-level hospitals, which achieved significant results.

The Company will leverage the changes in the industry landscape following the implementation of the VBP policy to actively promote a series of innovative solutions and achieving breakthroughs in the field of spine.

In the field of digital orthopedics:

The Company has launched the first domestically produced joint replacement visualization and intelligent assistance system – Visual Treatment Solution (“**VTS**”) system, to promote the widespread application of digital technology systems. In addition, in collaboration with experts, the Company provided free hip joint replacement surgeries for patients in Rikaze, Tibet, bringing digital orthopedic technology to the region. The Company later extended VTS surgical implants to other regions, such as Guangzhou and Shandong of the PRC, benefiting a large number of patients.

With the introduction of VTS, the Company has established a comprehensive portfolio of solutions in the field of digital orthopedics, including model printing, surgical templates, surgical planning and intelligent surgical assistance. The future development of orthopedic robots will further enhance the Company’s layout in the digital orthopedics domain.

Outlook

In 2023, the orthopedic industry is gradually recovering from the COVID-19 pandemic. It is expected to regain and maintain a relatively fast growth similar to pre-pandemic levels. Leveraging the opportunities arising from the industry’s rapid development and changing competitive landscape, the Group will capitalise on its leading R&D capabilities and 3D printing technology to further expand its market share and strengthen its leadership position in the orthopedic market in the PRC.

FINANCIAL REVIEW

Overview

	Six months ended 30 June		Variance %
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	
Revenue	648,686	531,211	22.1%
Gross profit	401,565	338,535	18.6%
Profit for the period	132,574	126,033	5.2%
Profit attributable to equity shareholders of the Company	132,574	126,033	5.2%
Earnings per share			
Basic	RMB0.12	RMB0.11	
Diluted	RMB0.12	RMB0.11	

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2023, the Group achieved revenue of approximately RMB648.7 million, representing a year-on-year increase of 22.1%. The revenue growth is primarily due to the continued strong demand for the Group's products from hospitals in the first half of 2023 under further accelerated import substitution driven by the VBP policy. With the continuous expansion of product lines, the Group's extensive product lines effectively met the differentiated market needs, which further boosted the growth in revenue. Meanwhile, through aggressive market expansion, the Company saw a significant growth in overseas revenue in the first half of 2023. Together with the revenue growth, the Group achieved a 5.2% year-on-year increase in profit for the six months ended 30 June 2023. The increase in profit was primarily attributable to the revenue growth.

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		Variance %
	2023 RMB'000	2022 RMB'000	
Hip replacement implants ⁽¹⁾	341,496	327,864	4.2%
Knee replacement implants ⁽²⁾	210,959	128,124	64.7%
Spinal and trauma implants ⁽³⁾	50,201	45,305	10.8%
Customised products and services ⁽⁴⁾	27,782	21,124	31.5%
Others ⁽⁵⁾	18,248	8,794	107.5%
Total	648,686	531,211	22.1%

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 and third party orthopedic products.

Revenue for the six months ended 30 June 2023 amounted to approximately RMB648.7 million, representing a significant increase of 22.1% from approximately RMB531.2 million for the six months ended 30 June 2022. 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 policy for joint implants. Meanwhile, the Group's extensive product lines effectively met the differentiated market needs, which further boosted the growth in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Hip and Knee Replacement Implant Products

The hip and knee replacement implant products include conventional 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 2023 amounted to approximately RMB341.5 million, representing an increase of 4.2% from approximately RMB327.9 million for the six months ended 30 June 2022. Revenue from knee replacement implants for the six months ended 30 June 2023 amounted to approximately RMB211.0 million, representing a significant increase of 64.7% from approximately RMB128.1 million for the six months ended 30 June 2022.

Further driven by the national VBP policy for joint implants, the demand for the Company's surgical products kept growing in the first half of 2023, leading to sustained revenue growth. New products such as partial knee products contributed to the remarkable growth in revenue from knee replacement implants. In the meantime, the Company achieved significant growth in revenue from its revision replacement implant products through aggressive market expansion.

Spinal and Trauma Implant Products

Our spinal and trauma implant products include conventional 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 2023 amounted to approximately RMB50.2 million, representing an increase of 10.8% from approximately RMB45.3 million for the six months ended 30 June 2022. During the first half of 2023, 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. Accordingly, its sales increased.

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. Revenue from customised products and services for the six months ended 30 June 2023 amounted to approximately RMB27.8 million, representing a significant increase of 31.5% from approximately RMB21.1 million for the six months ended 30 June 2022. In the first half of 2023, the Company further 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, and achieved remarkable growth in revenue from customised products and services.

Domestic and Overseas Sales

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

	Six months ended 30 June		Variance %
	2023 RMB'000	2022 RMB'000	
China	535,236	467,573	14.5%
Other countries	113,450	63,638	78.3%
Total	648,686	531,211	22.1%

For the six months ended 30 June 2023, the overseas revenue of the Group amounted to approximately RMB113.5 million, representing a significant year-on-year increase of 78.3%. The increase was primarily due to the rise in the volume of surgeries in the first half of 2023 as a result of the Company's active expansion of overseas markets. Revenue from China for the six months ended 30 June 2023 amounted to approximately RMB535.2 million, representing a year-on-year increase of 14.5%, which was largely because of the growth in sales of the aforesaid joint replacement implant products.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

For the six months ended 30 June 2023, the cost of sales was approximately RMB247.1 million, representing an increase of 28.3% from approximately RMB192.7 million for the six months ended 30 June 2022. The increase in cost of sales was primarily due to an increase in the sales volume of the products of the Group.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of sales. Gross profit for the six months ended 30 June 2023 amount to approximately RMB401.6 million, representing an increase of 18.6% as compared to approximately RMB338.5 million for the six months ended 30 June 2022. The growth in gross profit was primarily due to the increase in revenue.

Gross margin is calculated as gross profit divided by revenue. The gross margin of the Group was 61.9% for the six months ended 30 June 2023, a decrease of 1.8% from 63.7% for the six months ended 30 June 2022. Since April 2022, the implementation of the national VBP policy for joint implants has resulted in a decrease in the sales prices of hip and knee implants covered by the VBP policy, which led to a drop in gross margin. There was no significant change in gross margin of other products except for the change in gross profit of hip and knee implants covered by the VBP policy.

Other Income, Net

Other income for the six months ended 30 June 2023 was approximately RMB1.0 million, representing a decrease of approximately RMB4.0 million from approximately RMB5.0 million for the six months ended 30 June 2022. Other income for the six months ended 30 June 2023 mainly represents government subsidy income received and grants for research and development projects.

Selling and Distribution Expenses

Selling and distribution expenses were approximately RMB117.4 million for the six months ended 30 June 2023, representing an increase of 17.7% from approximately RMB99.7 million for the six months ended 30 June 2022. Such increase was mainly due to the fact that the Company proactively expanded its market, including providing new product trainings, and therefore, relevant marketing expenses and labour cost for sales personnel increased.

General and Administrative Expenses

General and administrative expenses amounted to approximately RMB75.2 million for the six months ended 30 June 2023, representing an increase of 37.8% from approximately RMB54.5 million for the six months ended 30 June 2022. The increase was primarily due to the increase in labor cost of administrative staff and the provision for credit losses based on the aging and balance of accounts receivables.

Research and Development Expenses

Research and development expenses for the six months ended 30 June 2023 were approximately RMB66.3 million, representing a significant increase of 21.9% from approximately RMB54.4 million for the six months ended 30 June 2022. The increase was primarily due to the Company's continued active investment in R&D, strengthening of its R&D team, active implementation of R&D projects, as well as the development of new products.

Net Finance Income

Net finance income was approximately RMB14.3 million for the six months ended 30 June 2023, representing a decrease of approximately RMB0.3 million from approximately RMB14.6 million for the six months ended 30 June 2022. The slight decrease in finance income was primarily due to the remarkable growth in interest income and the decline in foreign exchange gains as a result of exchange rate movements.

Income Tax Expenses

Income tax expense was approximately RMB25.4 million for the six months ended 30 June 2023, representing an increase of 8.5% from approximately RMB23.4 million for the six months ended 30 June 2022. The increase was primarily due to an increase in profit before tax.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB525.8 million, structured deposits of approximately RMB305.2 million, time deposits over 3 months of approximately RMB30.3 million and deposits of approximately RMB183.7 million, amounting to approximately RMB1,045.0 million in aggregate, as compared with approximately RMB1,083.3 million as at 31 December 2022. The Group's cash and cash equivalents were mainly denominated in RMB, US dollars and Hong Kong dollars and the Group's bank loan was 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

The Group had net current assets of approximately RMB1,487.7 million as at 30 June 2023, representing a decrease of approximately RMB141.3 million from approximately RMB1,629.0 million as at 31 December 2022. Such decrease was primarily due to the Group's investment in new plant construction.

Foreign Exchange Exposure

The principal business of the Group is conducted in China. The Group is exposed to foreign currency risks, primarily including 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 2023, the Group recorded a net exchange gain of approximately RMB3.4 million, as compared to an exchange gain of approximately RMB7.3 million for the six months ended 30 June 2022. So far, the Group has not had any hedging arrangements nor has it used any financial instruments for hedging purpose to manage foreign exchange risks. The Group has been actively monitoring and overseeing such risks.

Capital Expenditure

For the six months ended 30 June 2023, the Group's total capital expenditure amounted to approximately RMB113.1 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 2023, the Group pledged a deposit of approximately RMB183.7 million in the pledged deposits account mainly to obtain a bank loan for new plant construction. Other than that, the Group did not pledge or mortgage any assets.

Borrowings and Gearing Ratio

As at 30 June 2023, the Group had a bank loan balance of approximately RMB33.1 million, which was utilised for the construction of a new plant. The gearing ratio is defined as a percentage of bank borrowings to total equity. As at 30 June 2023, the gearing ratio of the Group was 1.4% (as at 31 December 2022: Nil).

Contingent Liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities (as at 31 December 2022: Nil).

Significant Investments

The Group did not hold any significant investments in the equity interests of any other companies as at 30 June 2023.

Material Acquisitions and Disposals

For the six months ended 30 June 2023, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Future Plans for Material Investments and Capital Assets

As at 30 June 2023, the Group had two projects under construction and ready for construction in the PRC: 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 financing. Other than that, the Group have no other plans for material investments and capital assets.

Employee and Remuneration Policy

As at 30 June 2023, the Group had 1,082 employees (30 June 2022: 950 employees). Total staff remuneration expenses including Directors' remuneration for the six months ended 30 June 2023 amounted to approximately RMB125.1 million (for the six months ended 30 June 2022: approximately RMB100.2 million). The increase in staff remuneration was largely due to an increase in the number of employees.

Remuneration is determined with reference to the 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 option scheme.

INDEPENDENT AUDITOR'S 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 15 to 30 which comprises the consolidated statement of financial position of AK Medical Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as of 30 June 2023 and the related consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of changes in equity and the 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 (“**IASB**”). 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 (“**HKICPA**”). 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 2023 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

22 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi (“RMB”))

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	3	648,686	531,211
Cost of sales		(247,121)	(192,676)
Gross profit		401,565	338,535
Other income, net		1,048	4,956
Selling and distribution expenses		(117,407)	(99,713)
General and administrative expenses		(75,171)	(54,536)
Research and development expenses		(66,325)	(54,399)
Operating profit		143,710	134,843
Net finance income	5	14,278	14,611
Profit before taxation	4	157,988	149,454
Income tax	6	(25,414)	(23,421)
Profit for the period		132,574	126,033
Profit attributable to equity shareholders of the Company		132,574	126,033
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		17,710	3,255
Other comprehensive income, net of tax		17,710	3,255
Total comprehensive income		150,284	129,288
Total comprehensive income attributable to equity shareholders of the Company		150,284	129,288
Earnings per share			
Basic	7(a)	RMB0.12	RMB0.11
Diluted	7(b)	RMB0.12	RMB0.11

The notes on pages 20 to 30 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 2023 – unaudited
(Expressed in RMB)

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	8	516,186	435,629
Intangible assets		80,745	85,275
Goodwill		113,411	113,411
Pledged deposits		183,704	–
Deferred tax assets		78,443	74,820
		972,489	709,135
Current assets			
Inventories	9	538,852	402,330
Trade receivables	10	598,720	467,079
Bills receivable		100,295	78,274
Deposits, prepayments and other receivables		28,129	34,362
Other financial assets		305,203	416,593
Pledged deposits and time deposits		30,302	40,890
Cash and cash equivalents	11	525,788	625,829
		2,127,289	2,065,357
Current liabilities			
Trade payables	12	277,643	155,167
Contract liabilities		85,554	79,846
Accruals and other payables		225,055	165,098
Bank loans	13	11,075	–
Lease liabilities		15,576	13,500
Current taxation		24,662	22,773
		639,565	436,384
Net current assets		1,487,724	1,628,973
Total assets less current liabilities		2,460,213	2,338,108

The notes on pages 20 to 30 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2023 – unaudited
(Expressed in RMB)

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Non-current liabilities			
Deferred income		13,667	13,331
Other payables		5,791	8,324
Lease liabilities		23,439	25,281
Bank loans	13	22,000	–
Deferred tax liabilities		50,286	47,411
		115,183	94,347
NET ASSETS			
		2,345,030	2,243,761
Capital and reserves			
Share capital	14(a)	9,501	9,453
Reserves		2,335,529	2,234,308
Total equity attributable to equity shareholders of the Company		2,345,030	2,243,761
TOTAL EQUITY			
		2,345,030	2,243,761

The notes on pages 20 to 30 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 – 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	Retained profits RMB'000	Exchange reserve RMB'000	Total equity RMB'000
Balance at 1 January 2022		9,453	1,032,214	(49,833)	55,174	4,210	1,008,345	(28,012)	2,031,551
Total comprehensive income for the period		-	-	-	-	-	126,033	3,255	129,288
Equity settled share-based transactions		-	-	-	-	2,922	-	-	2,922
Shares granted under share award scheme		-	-	-	-	366	-	-	366
Dividends approved in respect of the previous years	14(b)	-	(23,991)	-	-	-	-	-	(23,991)
Balance at 30 June 2022		9,453	1,008,223	(49,833)	55,174	7,498	1,134,378	(24,757)	2,140,136
Balance at 1 January 2023		9,453	1,008,641	(49,833)	55,174	11,978	1,213,117	(4,769)	2,243,761
Total comprehensive income for the period		-	-	-	-	-	132,574	17,710	150,284
Equity settled share-based transactions		-	-	-	-	4,167	-	-	4,167
Shares granted under share award scheme		-	-	-	-	584	-	-	584
Shares issued under share option scheme		48	11,660	-	-	(4,048)	-	-	7,660
Unlock of restricted shares		-	(261)	1,141	-	(880)	-	-	-
Dividends approved in respect of the previous years	14(b)	-	(61,426)	-	-	-	-	-	(61,426)
Balance at 30 June 2023		9,501	958,614	(48,692)	55,174	11,801	1,345,691	12,941	2,345,030

The notes on pages 20 to 30 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	38,920	243,091
Tax paid	(24,562)	(28,305)
Net cash generated from operating activities	14,358	214,786
Investing activities		
Acquisition of property, plant and equipment and intangible assets	(113,096)	(71,583)
Uplift of structured deposits and time deposits	1,000,890	855,508
Placement of structured deposits and time deposits	(1,052,408)	(999,705)
Other cash flows arising from investing activities	8,242	8,219
Net cash used in investing activities	(156,372)	(207,561)
Financing activities		
Capital element of lease rentals paid	(5,840)	(7,611)
Interest element of lease rentals paid	(864)	(1,151)
Proceeds from bank loans	33,000	–
Proceeds from equity settled share-based payment	6,241	–
Net cash generated from/(used in) financing activities	32,537	(8,762)
Net decrease in cash and cash equivalents	(109,477)	(1,537)
Cash and cash equivalents at 1 January	625,829	475,606
Effect of movements in exchange rates on cash hold	9,436	10,874
Cash and cash equivalents at 30 June	525,788	484,943

The notes on pages 20 to 30 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 (“**Listing Rules**”) 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 22 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The financial information relating to the financial year ended 31 December 2022 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 2022 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2023.

2 CHANGES IN ACCOUNTING POLICIES

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

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products of service lines		
– Hip replacement implants	341,496	327,864
– Knee replacement implants	210,959	128,124
– Spinal and trauma implants	50,201	45,305
– Customised products and services	27,782	21,124
– Others (i)	18,248	8,794
	648,686	531,211
Disaggregated by geographical location of customers		
– China	535,236	467,573
– Other countries	113,450	63,638
	648,686	531,211

(i) Others primarily include surgical instruments, medical irrigators and third party orthopedic products.

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 2022 and 2023.

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	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Revenue from external customers	601,061	489,976	47,625	41,235	648,686	531,211
Inter-segment revenue	1,371	–	25,845	14,667	27,216	14,667
Reportable segment revenue	602,432	489,976	73,470	55,902	675,902	545,878
Reportable segment profit/(loss)	164,621	153,552	(6,205)	(8,093)	158,416	145,459
As at 30 June/31 December						
Reportable segment assets	2,555,359	2,149,067	189,382	156,570	2,744,741	2,305,637
Reportable segment liabilities	660,680	453,793	47,728	29,312	708,408	483,105

The measure used for reporting segment profit is "reportable segment profit before taxation".

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Reportable segment profit	158,416	145,459
Elimination of inter-segment (profit)/loss	(428)	3,995
Consolidated profit before taxation	157,988	149,454

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Amortisation of intangible assets	7,257	6,612
Depreciation of property, plant and equipment	37,057	34,268
Impairment losses of impairment on trade receivables	10,706	4,199
Cost of inventories	244,184	191,981

5 NET FINANCE INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest income from bank deposits and investments in structured deposit	11,764	8,449
Foreign currency exchange gain	3,378	7,313
Interest on lease liabilities	(864)	(1,151)
	14,278	14,611

6 INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax – the PRC Enterprise Income Tax	26,451	5,731
Deferred tax	(1,037)	17,690
	25,414	23,421

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 2023 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 2023 are 25% (six months ended 30 June 2022: 25%). According to the relevant PRC income tax law, the Company's subsidiaries, Beijing AKEC Medical Co., Ltd. ("**AK Medical Beijing**") and ITI Medical Co., Ltd. ("**AK Medical Changzhou**") 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 and AK Medical Changzhou will be expired on 21 October 2023 and 2 December 2023, 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 2023 (six months ended 30 June 2022: 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 RMB132,574,000 (six months ended 30 June 2022: RMB126,033,000) and the weighted average of 1,110,994,000 ordinary shares (2022: 1,109,176,000 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 RMB132,574,000 (six months ended 30 June 2022: RMB126,033,000) and the weighted average of 1,119,973,000 ordinary shares (2022: 1,115,675,000 shares).

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2023, the Group entered into a number of lease agreements are used for offices. Therefore recognised the additions to right-of-use assets of RMB5,612,000 (six months ended 30 June 2022: RMB11,304,000). No land use rights were recognised during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB51,312,000).

(b) Acquisitions of owned assets

During the six months ended 30 June 2023, the Group acquired items of property plant and machinery with a total cost of RMB109,677,000 (six months ended 30 June 2022: RMB23,562,000).

9 INVENTORIES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Raw materials	117,457	82,970
Work in progress	88,067	68,784
Finished goods	333,328	250,576
	538,852	402,330

10 TRADE RECEIVABLES

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 2023 RMB'000	At 31 December 2022 RMB'000
Current to 3 months	423,185	284,885
4 to 6 months	46,603	103,051
7 to 12 months	107,581	48,459
Over 12 months	21,351	30,684
Trade receivables, net of loss allowance	598,720	467,079

The credit terms agreed with commercial customers were normally ranged from 1 month to 1 year from the date of billing. Balances due from hospitals customers are settled within the period set by the hospitals' payment policy, within 3 months to 1 year. No interest is charged on the trade receivables.

11 CASH AND CASH EQUIVALENTS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash at banks	525,782	625,824
Cash on hand	6	5
Cash and cash equivalents in the statement of financial position and cash flow statement	525,788	625,829

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 2023 RMB'000	At 31 December 2022 RMB'000
Within 3 months	221,995	126,716
4 to 6 months	42,506	23,633
7 to 12 months	9,111	2,043
1 year to 2 years	3,405	1,871
Over 2 years	626	904
	277,643	155,167

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 2023 RMB'000	At 31 December 2022 RMB'000
Current		
Secured bank loans	11,075	–
Non-current		
Secured bank loans	22,000	–
	33,075	–

At June 30, 2023, the Group had bank loans of RMB33,075,000, and the bank loans were secured by the Group's non-current pledged deposits of United States dollar 25,000,000 (approximately RMB183,204,000).

14 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	2023		2022	
	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	1,115,750,000	9,453	1,115,700,000	9,453
Shares issued under share option scheme	5,421,056	48	–	–
At 30 June	1,121,171,056	9,501	1,115,700,000	9,453

(b) Dividends

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$6.0 cents per ordinary share (2022: HK\$2.5 cents per ordinary share)	62,023	23,853

14 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Equity settled share-based transactions

On 30 June 2023, 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.

5,025,000 options (six months ended 30 June 2022: nil) were exercised and no options (six months ended 30 June 2022: 450,000) were lapsed during the six months ended 30 June 2023.

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

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.

Fair value of share options and assumptions

	2023	2022
Fair value at measurement date	HK\$4.9710 – HK\$6.9325	HK\$2.1810 – HK\$3.0340
Share price	HK\$10.18	HK\$4.66
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%

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 (“New Share Option”) (continued)

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.

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.

396,056 options (six months ended 30 June 2022: nil) were exercised and no options (six months ended 30 June 2022: nil) were lapsed during the six months ended 30 June 2023.

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”), which is not subject to the provisions of Chapter 17 of the listing rules, 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 will be 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.

For the six months ended 30 June 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 will vest 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.

149,398 shares (six months ended 30 June 2022: nil) were vested and 1,146 shares (six months ended 30 June 2022: nil) were lapsed during the six months ended 30 June 2023.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements as at 30 June 2023 categorised into			
	Fair value at 30 June 2023 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Other financial assets – investments in structured deposit at fair value through profit or loss	300,631	–	300,631	–
Other financial assets – investments in unlisted equity instrument at FVPL	4,572	–	–	4,572
	305,203	–	300,631	4,572

	Fair value measurements as at 31 December 2022 categorised into			
	Fair value at 31 December 2022 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Other financial assets – investments in structured deposit at fair value through profit or loss	412,396	–	412,396	–
Other financial assets – investments in unlisted equity instrument at FVPL	4,197	–	–	4,197
	416,593	–	412,396	4,197

There were no changes in valuation techniques in 2023.

16 COMMITMENTS

Capital commitments outstanding as at 31 December 2022 and 30 June 2023 not provided for were as follows:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contracted for	142,138	216,751
Authorised but not contracted for	114,655	104,740
	256,793	321,491

17 MATERIAL RELATED PARTY TRANSACTIONS

There is no material related party transaction in the six months ended 30 June 2023 and 2022, except for key management personnel remuneration. No material amounts from related parties were outstanding as at 30 June 2023 and 31 December 2022.

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 2023, 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 10 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) 37,977,940 (S)	45.06% 3.39%
	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) 37,977,940 (S)	45.06% 3.39%
Mr. Zhang Chaoyang (Note 5)	Founder of a discretionary trust	58,818,500 (L)	5.25%
Ms. Zhao Xiaohong (Note 6)	Beneficial Interest	2,799,924 (L)	0.25%

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 1,121,171,056 Shares in issue as at 30 June 2023.
- (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) 37,977,940 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 667,864 Shares pursuant to the Share Option Scheme; (ii) and 2,132,060 Shares.

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Save as disclosed above, as at 30 June 2023, 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 to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2023, 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)	45.06%
		37,977,940 (S)	3.39%
	Interest of spouse	10,125,000 (L)	0.90%
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)	45.06%
		37,977,940 (S)	3.39%
Ximalaya Limited (Note 3)	Beneficial owner	505,157,500 (L)	45.06%
		37,977,940 (S)	3.39%
Rainbow Holdings Limited (Note 3)	Interest in a controlled corporation	505,157,500 (L)	45.06%
		37,977,940 (S)	3.39%
Mr. Zhang Chaoyang (Note 5)	Founder of a discretionary trust	58,818,500 (L)	5.25%
Suntop Limited (Note 5)	Beneficial owner	58,818,500 (L)	5.25%
Bamboo Group Management Limited (Note 5)	Interest of a controlled corporation	58,818,500 (L)	5.25%
Trident Trust Company (HK) Limited (Notes 3 and 5)	Trustee of a discretionary trust	563,976,000 (L)	50.30%
		37,977,940 (S)	3.39%
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	89,181,288 (L)	7.95%
		72,615,115 (S)	6.48%

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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	88,459,288 (L)	7.89%
		72,615,115 (S)	6.48%
Goldman Sachs Group UK Limited (Note 6)	Interest of controlled corporations	88,459,288 (L)	7.89%
		72,615,115 (S)	6.48%
Goldman Sachs International (Note 6)	Beneficial owner	88,459,288 (L)	7.89%
		72,615,115 (S)	6.48%

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 1,121,171,056 Shares in issue as at 30 June 2023.
- (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) 37,977,940 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.

In addition, The Goldman Sachs Group, Inc. is the holding company of each of GSAM Holdings LLC, Goldman Sachs Asset Management, L.P. and Goldman Sachs Asset Management International. GSAM Holdings LLC is indirectly interested in 722,000 Shares, of which 192,000 Shares are beneficially held by Goldman Sachs Asset Management, L.P. and 530,000 Shares are beneficially held by Goldman Sachs Asset Management International. GSAM Holdings LLC is controlling (i) 99% of Goldman Sachs Asset Management, L.P.; and (ii) 100% of Goldman Sachs Asset Management International. Therefore, The Goldman Sachs Group, Inc. and GSAM Holdings LLC are deemed to be interested in the Shares held by each of Goldman Sachs Asset Management, L.P. and Goldman Sachs Asset Management International pursuant to the SFO.

Save as disclosed above, as at 30 June 2023, 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 during the six months ended 30 June 2023.

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 2023, the number of Shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 3,400,000, representing approximately 0.30% of the Shares in issue.

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 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

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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.

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The details of movements in the share options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2023 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 2023	Granted during the six months ended 30 June 2023	Exercised during the six months ended 30 June 2023	Weighted average closing price of the shares immediately before the date on which the share options were exercised	Cancelled/ lapsed during the six months ended 30 June 2023	Outstanding as at 30 June 2023	Exercise period of share options	Exercise price of the share options
Director									
Zhao Xiaohong	17/11/2017	1,000,000	-	1,000,000	HK\$8.55	-	-	10 years	HK\$1.34
Senior Management and Other Employees of the Group									
Senior Management and Other Employees	17/11/2017	7,425,000	-	4,025,000	HK\$8.46	-	3,400,000	10 years	HK\$1.34
Total		8,425,000	-	5,025,000	HK\$8.48	-	3,400,000		

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 2023, 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.

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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
- 89,921,217 ordinary Shares and 8.02% 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;

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- (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 0.77% 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;

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- (ii) 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;
- (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;
- (ii) 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.

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The details of movement in the share options granted under the Share Option Scheme during the six months ended 30 June 2023 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 2023	Share options granted during the six months ended 30 June 2023	Exercised during the six months ended 30 June 2023	Weighted average closing price of the Shares immediately before the date on which the share options were exercised	Cancelled/lapsed during the six months ended 30 June 2023	Share options outstanding as at 30 June 2023	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	660,304	-	132,060	HK\$8.62	-	528,244	(i) 132,061 on 31/3/2024; (ii) 198,091 on 31/3/2025; (iii) 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	-	-	-	139,620	(i) 27,924 on 11/4/2024; (ii) 27,924 on 11/4/2025; (iii) 41,886 on 11/4/2026; (iv) 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	7,719,443	-	263,996	HK\$8.59	-	7,455,447	(i) 1,584,412 on 31/3/2024; (ii) 2,376,617 on 31/3/2025; (iii) 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	-	1,559,416	-	-	-	1,559,416	(i) 311,883 on 11/4/2024; (ii) 311,883 on 11/4/2025; (iii) 467,825 on 11/4/2026; (iv) 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		8,379,747	1,699,036	396,056	HK\$8.60	-	9,682,727				

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 on 11 April 2013 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 2023 and 30 June 2023 were 91,620,253 Shares and 89,921,217 Shares, respectively, representing approximately 8.21% and 8.02% 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 2023 is 13,082,727. The dilutive effect of such is 1.15%, 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 2023.

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.

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.

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).

OTHER INFORMATION

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 110,821,246, representing 9.88% 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.

OTHER INFORMATION

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.
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 2023, 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 2023 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 Shares as at 1 January 2023	Number of Shares granted during the six months ended 30 June 2023	Number of Shares vested during the six months ended 30 June 2023	Number of Shares cancelled during the six months ended 30 June 2023	Number of Shares lapsed during the six months ended 30 June 2023	Number of unvested Shares as at 30 June 2023	Weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested
												HK\$
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	170,586	-	34,115	-	-	136,471	HK\$9.17
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	582,237	-	115,283	-	24,069	442,885	HK\$9.17
Total		-				752,823	-	149,398	-	24,069	579,356	HK\$9.17

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;
 - (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 2023.

As of 1 January 2023 and 30 June 2023, the number of awards available for grant under the Share Award Scheme were 110,797,177 and 110,821,246, respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 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 2023.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2023, 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 14 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 2023 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.

OTHER INFORMATION

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 2023 or at any time during the six months ended 30 June 2023. 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 2023 or at any time during the six months ended 30 June 2023.

INTERIM DIVIDEND

The Board did not recommend to declare any interim dividend to the Shareholders for the six months ended 30 June 2023.

SUBSEQUENT EVENT

Since 30 June 2023 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 2023 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 2023 and up to the date of this interim report are set out below:

Name of Director	Details of Change
Dr. Wang David Guowei	Dr. Wang David Guowei serves as a non-executive director in Laekna, Inc. (Stock Code: 02105, HK), which was listed on the Stock Exchange on 29 June 2023.

DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2023 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
22 August 2023