先瑞達醫療科技控股有限公司
Acotec Scientific Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 6669

ANNUAL REPORT 2021

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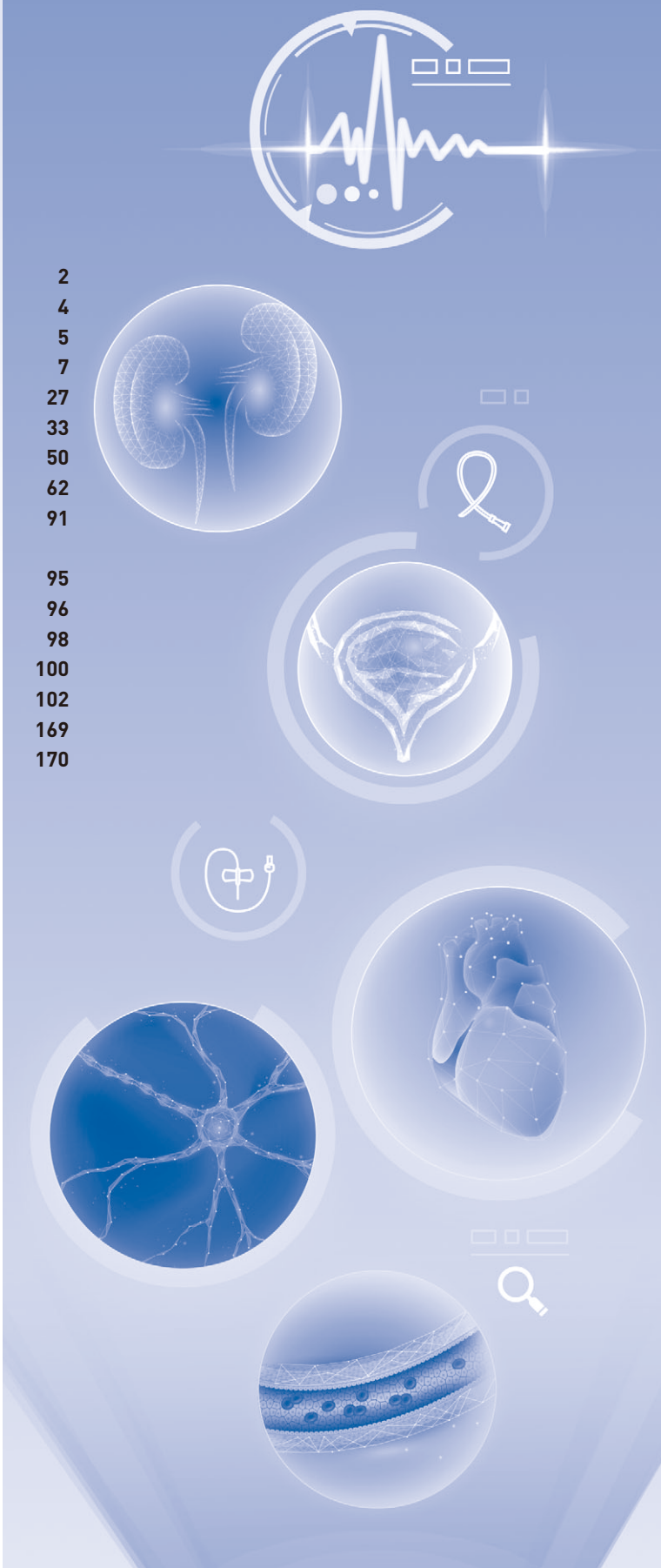

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Jing LI *(Chairperson of the Board)*
Mr. Silvio Rudolf SCHAFFNER

Non-executive Directors

Mr. Ke TANG
Mr. Chen CHEN

Independent Non-executive Directors

Dr. Yuqi WANG
Ms. Hong NI
Ms. Kin Yee POON

REMUNERATION COMMITTEE

Dr. Yuqi WANG *(Chairperson)*
Ms. Hong NI
Ms. Jing LI

NOMINATION COMMITTEE

Dr. Yuqi WANG *(Chairperson)*
Ms. Hong NI
Ms. Jing LI

AUDIT COMMITTEE

Ms. Kin Yee POON *(Chairperson)*
Dr. Yuqi WANG
Mr. Chen CHEN

JOINT COMPANY SECRETARIES

Mr. Chen LI
Ms. Ching Yi LI

AUTHORISED REPRESENTATIVES

Mr. Chen CHEN
Ms. Ching Yi LI

COMPLIANCE ADVISER

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1 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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Beijing
PRC

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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KY1-1102, Cayman Islands

HONG KONG SHARE REGISTRAR

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LEGAL ADVISERS

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AUDITOR AND REPORTING ACCOUNTANT

Deloitte Touche Tohmatsu
Certified Public Accountants and
Registered Public Interest Entity Auditors
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Hong Kong

STOCK CODE

6669

Financial Highlights

	Year ended December 31, 2021 RMB'000	Year ended December 31, 2020 RMB'000	Year-to-year change
Revenue	**303,813**	193,975	56.6%
Gross profit	**265,939**	163,780	62.4%
Loss before tax	**(67,243)**	(31,447)	113.8%
Loss for the year	**(79,077)**	(44,292)	78.5%
add:			
Share-based payments	**33,356**	51,956	–35.8%
Net exchange loss on the translation of listing proceeds	**9,350**	–	N/A
Loss (gain) on fair value change of preferred shares	**33,458**	(447)	N/A
Listing expenses	**41,129**	10,317	298.7%
Deferred tax asset reversal	**4,174**	–	N/A
Adjusted Net Profit for the year	**42,390**	17,534	141.8%

	Year ended December 31, 2021 RMB'000	Year ended December 31, 2020 RMB'000	Year-to-year change
Financial Position			
Non-current asset	**63,841**	54,700	16.7%
Current assets	**1,243,525**	218,241	469.8%
Total assets	**1,307,366**	272,941	379.0%
Non-current liabilities	**12,060**	149,826	–92.0%
Current liabilities	**88,112**	404,124	–78.2%
Total liabilities	**100,172**	553,950	–81.9%
Total equity/(deficit)	**1,207,194**	(281,009)	N/A

Chairman's Statement

Dear Shareholders,

It is Acotec's honor to present you the first annual report after its listing.

The repeated resurgence in 2021 corroborated the viewpoint in the Book of Changes: There is nothing permanent except change. Given the continuous effects of post-pandemic era, the turbulent global political and economic environment as well as the sharp increase and plunge of the capital market, Acotec was inevitably affected by such environment. Notwithstanding, we shall not be confused and trapped by external environment. We strive to solidify our reputation by continuously upholding our aspiration. Acotec was listed on the Stock Exchange in 2021 and we have been upholding our aspiration of providing the best treatment solutions for vascular diseases for Chinese and global patients. We still focus on the production and research and continue to deepen our existing advantages while expanding the boundaries of production and research proactively, and we hereby present the first set of operating results after our listing.

As of December 31, 2021, the sales income of the Group maintained rapid growth and our revenue for the year ended December 31, 2021 was approximately RMB303.8 million, representing an increase of 56.6% compared to approximately RMB194.0 million for the year ended December 31, 2020. Sales of DCB products, our Core Product, have comprised the major portion of our revenue since its first commercialization in China in 2016. Our revenue primarily comprised of the sales of Orchid® & Dhalia™, two of our Core Products, launched in China in 2016. In January 2021, we launched another Core Product, AcoArt Tulip™ & Litos™ in China. We expect that sales of our Core Products will continue to account for a substantial portion of our total revenue in the near future. However, the gradual expansion and implementation of Acotec's product pipeline may create disruptive changes to such performance.

Production – Continue to expand our growth drivers

AcoStream™, our peripheral aspiration system which has been launched in November 2021, is one of the typical representatives of the newly-implemented product pipeline. In August 2021, the peripheral vacuum aspiration pump has been launched. As of December 31, 2021, all of our products under the Peripheral Thrombus Aspiration system had been launched, which made us become the first Chinese enterprise possessing originated technologies and ability to provide comprehensive solution in such sector.

The successful launch of aspiration platform products will be an unmeasurable profit and revenue growth driver of Acotec in the future. In the meantime, it is also a positive signal showing that Acotec is expanding from the artery sector to the vein sector. In the near future, based on the extendability and efficiency of the four technology platforms of Acotec (including drug-coating technology, aspiration platform technology, polymer material technology, and radiofrequency ablation technology), over 30 types of product pipeline will be successively launched. Acotec is also progressing to become a technology platform company of full-body vascular interventional treatments.

Research – Continuous support from cutting-edge technologies

We established Acotec Technologies Limited in California, U.S. in 2021 with a primary focus on the research and development of forward-looking and innovative products. In the same year, four global top medical experts have joined the Scientific Advisory Board of Acotec, and provided guidance to the clinical trials and launch of our Core Products in the U.S. and Europe. With the experts joining Acotec, AcoArt BTK Global IDE Study also progressed into an accelerated period. Acotec's BTK product is likely to be the first product approved to launch in the U.S. and worldwide, and we are also on track to be the first enterprise in China to export peripheral intervention products to the U.S.

Chairman's Statement

Sales – Continue to accelerate the globalization process

As of December 31, 2021, our distribution network was located across all provinces and autonomous regions in China and substantially covered most of the hospitals which were capable of providing peripheral vascular interventional treatment in China. As of December 31, 2021, our BTK DCB (Below-The-Knee Drug-Coated Balloons) had been admitted into 288 hospitals and listed as a candidate for online procurement in 27 provinces and autonomous regions. Our ATK DCB (Above-The-Knee Drug-Coated Balloons) had been admitted into 1,283 hospitals. Our product performance was confirmed from the side by the market leadership and hospital penetration rate of our products across China. Besides, we have had great success in our globalization progress. Currently, three drug-coated balloons products of the Company were officially approved to launch in Brazil and our products have completed commercialization across 12 countries around the globe accumulatively.

The year of 2021 was successfully concluded and we remain optimistic about the growth momentum of Acotec in 2022. The gradual expansion of product lines, the continuous growth of underlying patients and the rapid penetration of our market penetration rate form the source of our faith and confidence. In the future, Acotec will continue to leverage on our advantages in production and research based on the extendability and efficiency of our technology platforms, so as to become a technology platform company of full-body vascular interventional treatments and provide solutions of full-body vascular interventional treatments to the patients worldwide.

We never obsessed with idle dreams or intimidated by blusters. We will meet again in the future.

Ms. Jing LI
Chairperson of the Board, Executive Director and CEO

March 29, 2022

Management Discussion and Analysis

BUSINESS REVIEW

We are a global leading medical device technology platform company in China. Leveraging on our four unique technology platforms (including drug-coating technology, radiofrequency ablation technology, polymer material technology and aspiration platform technology), we are focusing on the provision of solutions of cutting-edge intravascular interventional treatments. We have already built over 30 product pipelines so far, which are capable of providing endovascular minimally-invasive interventional solutions for five areas consisting of vascular surgery, cardiology, nephrology, neurology and andrology. Based on the extendability and efficiency of our four technology platforms, we wish to leverage on our advantages in production and research through continuous innovation and continue to meet the clinical needs of vascular interventional treatments, so as to provide solutions of full-body vascular interventional treatments to the patients worldwide and safeguard their health and wellness.

We successfully listed our Shares on the main board of the Stock Exchange on August 24, 2021. The Prospectus in relation to the Global Offering was published on the website of the Stock Exchange on August 12, 2021.

BUSINESS HIGHLIGHTS

In 2021, we made significant progress in research and development. During the year ended December 31, 2021, five products were sent for type testing, seven products were under clinical trial, two products completed clinical trial, two products applied for registration with NMPA and two products received approval (including one upgraded product of AcoArt Orchid® & Dhalia™). We also registered ten additional patents during the year ended December 31, 2021.

Besides our significant progress in research and development, our admission efforts to hospital are also advancing. As of December 31, 2021, our BTK DCB (Below-The-Knee Drug-Coated Balloons) had been admitted into 288 hospitals and listed as a candidate for online procurement in 27 provinces and autonomous regions. Our ATK DCB (Above-The-Knee Drug-Coated Balloons) had been admitted into 1,283 hospitals. Our Peripheral Aspiration Catheter which was launched in November 2021 had been listed as a candidate for online procurement on the national procurement platform.

The stable and positive direction of our production and research contributed to the rapid growth of our annual revenue directly. For the year ended December 31, 2021, our revenue reached approximately RMB303.8 million, representing a year-on-year increase of approximately 56.6%. Our Core Products, AcoArt Orchid® & Dhalia™ and AcoArt Tulip™ & Litos™, were the major contributors of our revenue.

The change in layout of our products represented our further expansion from the artery sector to the vein sector officially.

In August 2021, our peripheral vacuum aspiration pump was approved to launch. Our Peripheral Aspiration System (AcoStream™) was approved to launch three months later. As of December 31, 2021, all of our products under the Peripheral Thrombus Aspiration system had been launched, which made us become the first Chinese enterprise possessing originated technologies and ability to provide comprehensive solution in such sector.

We accelerated our globalization process and our products entered international markets in full speed.

For research and development, we established Acotec Technologies Limited ("**Acotec Technologies**") in California, U.S. in 2021 with a primary focus on the research and development of forward-looking and innovative products (the "**U.S. R&D Center**"). Mr. Scott WILSON acts as the general manager of Acotec Technologies. Mr. Wilson has over 25 years of experience in medical product development. Before joining us, Mr. Wilson served as a vice president of R&D at Silk Road Medical, a vascular medical device company. Prior to these roles, Mr. Wilson had leadership roles at Concentric Medical, which was acquired by Stryker Neurovascular. Mr. Wilson was the lead director and engineer at Concentric Medical that developed multiple product lines, including Trevo Stentreiver, Flow Gate and Distal Access Catheters (DAC).

In the same year, four global top medical experts joined the Scientific Advisory Board of Acotec (the "**Scientific Advisory Board**") and provided guidance to the clinical trials and launch of our Core Products in the U.S. and Europe, which assisted the global IDE study of AcoArt BTK. We believe the joining of Mr. Wilson and his team as well as four experts will serve as a booster of the global layout of our Group and further improved the chain of production and research.

With respect to our sales, three DCB products were approved to launch in Brazil. As of December 31, 2021, our products had completed commercialization across 12 countries accumulatively. We are of the view that the acceleration of our Group's globalization process will diversify the revenue stream of our Company and facilitate us to respond to market changes more flexibly. In addition to diversifying our revenue, our globalization process has laid down a solid foundation of our production and research, which forms a benign closed loop of corporate operations.

We continued to strengthen our efforts in clinical promotions and promote the innovation of clinical therapies of vascular intervention.

Since the launch of AcoArt Orchid® & Dhalia™, our first and China's first peripheral DCB product, we have already initiated our efforts in clinical promotion and education. Since the commencement of research and development of our products, we have never relaxed our promotion efforts in clinical treatments. We have been promoting the innovation of clinical therapies of vascular intervention, so as to provide brand-new solutions for peripheral intravascular diseases to patients.

During the year ended December 31, 2021, our Peripheral Aspiration System (AcoStream™) was approved to launch, which enabled us to become the first Chinese enterprise possessing originated technologies and ability to provide comprehensive solution in such sector. We will continue to carry on the market cultivation of our new products, so as to provide new treatment methods to clinical patients.

We continued to reinforce our talent pool and improve our team building.

As of December 31, 2021, we had approximately 400 employees in total. The research and development team grew to 86 members. Our original technical team covers the aspects of material science, mechanical design manufacturing, chemistry and biomedical engineering. During the year ended December 31, 2021, we supplemented our research and development team with technicians in the field of electronic science and technology, automation and computer programming, which further improved our talent pool. We believe that the support of talents from different aspects will accelerate the implementation of our multi product pipeline projects.

Our new product pipelines were multi-pronged and advanced as scheduled.

In 2021, we carried out in-depth investigations and discussion in respect of artery calcification, vein market and vascular aneurysm and we started to prepare for our business presence in these sectors. As of December 31, 2021, we had developed 6 new products, including peripheral IVL system (vascular surgery), peripheral coil (vascular surgery), and coronary IVL system (cardiology). The progress of production development had been advancing in an extremely quick pace. We are of the view that these results are attributable to two reasons.

First of all, it is attributable to our insight into, judgment of and prediction of market potentials. Decades of experience in the industry enables to make better decisions and judgments to develop these potential markets.

Secondly, it is attributable to our first-class execution capabilities. We spent only seven months from kicking off the project to finalizing the design our IVL system. In addition, our remaining product lines advanced as scheduled according to the original plans.

BUSINESS OVERVIEW

In 2021, we carried out in-depth investigations and discussion in respect of artery calcification, vein market and vascular aneurysm and we started to prepare for our business presence in these sectors. For peripheral aspiration system, our products under the peripheral thrombus aspiration system have all been launched, which made us become the first Chinese enterprise possessing originated technologies and ability to provide comprehensive solution in such sector. As of December 31, 2021, we have developed six new products, including peripheral IVL system (vascular surgery), peripheral coil (vascular surgery) and coronary IVL system (cardiology). The progress of production development has been advancing in an extremely quick pace. With a view to enhance our capacity of manufacture, our facility in Shenzhen, with approximately 2,400 sq.m., successfully obtained the ISO 13485 certificate qualification and ability to supply the tubes for manufacturing balloon catheters in 2021.

Products and Pipeline

Our products and product candidates are Class I, Class II and Class III medical devices under the classification criteria of the NMPA. The following chart summarizes the key information of our full product portfolio as of December 31, 2021, including five commercialized products, the indication expansion for our Core Products in three therapeutic areas, and 28 additional product candidates:

	Products and Product Candidates	Indications / Applications	Key Technologies	Phase			Estimated approval
				Pre-clinical Studies	Clinical Studies	Registration	
Vascular Surgery	AcoArt Orchid® & Dhalia™/Orchid Plus★ (note)	Superficial femoral artery (SFA) and popliteal artery (PPA) disease	Drug coating technology	China NMPA			N/A
				Europe CE			N/A
	AcoArt Tulip™ & Litos™★	Below-the-knee (BTK) artery disease	Drug coating technology	China NMPA			N/A
				Europe CE			N/A
				USA			FDA IDE approval (2022)
	AcoArt Iris™ & Jasmin™	PTA Balloon applied in PTA procedure	Polymer materials	China NMPA			N/A
				Europe CE			N/A
	AcoArt Lily™ & Rosmarin™	PTA Balloon applied in PTA procedure	Polymer materials	China NMPA			N/A
				Europe CE			N/A
	Peripheral Aspiration System ▲ AcoStream™	DVT, ALI and PE	Aspiration platform	China	Exempted from clinical trial	NMPA	N/A
	Radiofrequency Ablation System	Saphenous varicose veins	RF platform				2022
	Lower Limb Sirolimus DCB	SFA and PPA disease	Drug coating technology				2025
	Peripheral Spot Stent	SFA and PPA disease	Polymer materials				2024
	Peripheral Triple-Guidewire Balloon	SFA and PPA disease	Polymer materials				2023
	Peripheral Scoring Balloon	SFA and PPA disease	Polymer materials				2023
	Peripheral Rotational Atherectomy Device	Intravascular calcium	Polymer materials				2025
	Peripheral IVL System	Intravascular calcium	Polymer materials				2026
	Peripheral Coil	Embolization	Polymer materials				2024
	Carotid Stent	Carotid artery stenosis	Polymer materials				2025
	Peripheral Thrombectomy Device	DVT, ALI and PE	Polymer materials				2025
	Peripheral Support Catheter ▲	Peripheral CTO lesion	Polymer materials		Exempted from clinical trial		2022
	Above-The-Knee PTA Balloon ▲	PTA	Polymer materials				2022
	Below-The-Knee PTA Balloon ▲	PTA	Polymer materials				2022
	2nd Gen Peripheral Aspiration System ▲	DVT, ALI and PE	Polymer materials				2023
Cardiology	AcoArt Camellia™ (DCB)	Coronary small vessel diseases	Drug coating technology	China			2024
	Coronary Sirolimus DCB	Bifurcation lesions	Drug coating technology	China			2024
	Coronary Scoring Balloon	PTCA	Polymer materials				2023
	Coronary IVL System	Coronary lesion calcium	Polymer materials				2026
	Coronary Rotational Atherectomy Device	Intravascular calcium	Polymer materials				2025
	Coronary CTO Recanalization Balloon ▲	Coronary CTO	Polymer materials		Exempted from clinical trial		2023
	Guiding Extension Catheter ▲	Coronary CTO	Polymer materials				2023
	Coronary CTO Antegrade Micro-Catheter ▲	Coronary CTO	Polymer materials				2023
	Coronary Double-Lumen Selecting Catheter ▲	Bifurcation lesions	Polymer materials				2023
	Coronary Retrograde Micro-Catheter ▲	Coronary CTO	Polymer materials				2023
Nephrology	AcoArt Orchid® & Dhalia™/Orchid Plus☆ (DCB)	Arteriovenous fistula stenosis	Drug coating technology	China			2022
	AV Scoring Balloon	AVF PTA procedure	Polymer materials	China			2023
	High-Pressure Balloon ▲	AVF PTA procedure	Polymer materials		Exempted from clinical trial		2023
Neurology	AcoArt Orchid® & Dhalia™/Orchid Plus☆ (DCB)	Vertebral atherosclerotic stenosis	Drug coating technology	China			2024
	AcoArt Daisy™ (DCB)	Intracranial atherosclerotic stenosis	Drug coating technology	China			2024
	Intracranial PTA Balloon ▲	Intracranial PTA procedure	Polymer materials		Exempted from clinical trial		2022
Andrology	AcoArt Orchid® & Dhalia™ (DCB)/Orchid Plus☆	Vasculogenic erectile dysfunction	Drug coating technology				2025
	AcoArt Tulip™ & Litos™ (DCB)☆	Vasculogenic erectile dysfunction	Drug coating technology				2025

★ Core Product ☆ Indication expansion of Core Product ▲ Exempted from clinical trial requirements in accordance with the Catalogue of Medical Device Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》) promulgated by the NMPA, as amended. Commercialization

Note:

We have been continuously improving the performance of AcoArt Orchid® & Dhalia™. As advised by NMPA and as part of our business strategy, we decided not to register Orchid Plus as a separate product. Alternatively, we applied to register Orchid Plus as an upgrade version of AcoArt Orchid® & Dhalia™ with improved delivery balloon catheter system, and received the revised NMPA approval for AcoArt Orchid® & Dhalia™ in November 2021.

Our Core Products

1. AcoArt Orchid® & Dhalia™

AcoArt Orchid® & Dhalia™ is a paclitaxel DCB used to prevent stenosis or occlusion in superficial femoral artery (SFA) and popliteal artery (PPA) for the treatment of lower extremity artery disease (LEAD) with a vascular interventional approach. It is compatible with the guidewire of 0.035" (Orchid®) and 0.018" (Dhalia™).

We received the CE Marking for AcoArt Orchid® in 2014 and the NMPA approval for AcoArt Orchid® & Dhalia™ in 2016. AcoArt Orchid® & Dhalia™ was the first peripheral DCB product launched in China. As of December 31, 2021, we had also launched AcoArt Orchid® in twelve other countries including Germany, Italy, Switzerland, Czech Republic, Ecuador, Estonia, Hungary, India, South Africa, Spain, Turkey and Brazil. As of December 31, 2021, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

We are expanding the indications of AcoArt Orchid® & Dhalia™ to address the underserved medical needs of hemodialysis patients with Arteriovenous Fistula (AVF) stenosis. In May 2018, we initiated an RCT for our AcoArt Orchid® & Dhalia™ indicated for treating AVF stenosis in China to evaluate its safety and efficacy. The RCT enrolled a total of 244 trial subjects in 11 hospitals in China, with the General Hospital of People's Liberation Army as the principal investigator institution. The 244 subjects were randomized in a 1:1 ratio to a study group, where the subjects receive the treatment using AcoArt Orchid® & Dhalia™, and a control group, where the subjects receive the treatment using PTA balloons. We have completed the six-month followups and the twelve-month follow-ups for all the trial subjects. According to the six-month follow-ups statistics, patency rate of DCB group is 91.4%, as comparing to the 66.9% patency rate for PTA group. According to the twelve-month follow-ups statistics, patency rate of DCB group is 66.1%. In nephrology, our AcoArt Orchid® & Dhalia™ has finished the enrollment, and we expect to receive the NMPA approval in 2022. In neurology, our AcoArt Orchid® & Dhalia™ is currently enrolling, and we expect to receive the NMPA approval in 2024.

We have been continuously improving the performance of AcoArt Orchid® & Dhalia™. As advised by NMPA and as part of our business strategy, we decided not to register Orchid Plus as a separate product. Alternatively, we applied to register Orchid Plus as an upgrade version of AcoArt Orchid® & Dhalia™ with improved delivery balloon catheter system, and received the revised NMPA approval for AcoArt Orchid® & Dhalia™ in November 2021.

For the year ended December 31, 2021, our revenue generated from the sales of AcoArt Orchid® & Dhalia™ in China and overseas amounted to approximately RMB275.07 million.

2. AcoArt Tulip™ & Litos™

AcoArt Tulip™ & Litos™ is a paclitaxel DCB used to prevent stenosis or occlusion in below-the-knee (BTK) arteries for the treatment of chronic limb-threatening ischemia with a vascular interventional approach. It is compatible with the guidewire of 0.018" (Tulip™) and 0.014" (Litos™). We received the CE Marking for AcoArt Tulip™ & Litos™ in 2014, the FDA "breakthrough device" designation for AcoArt Litos™ in 2019 and the NMPA approval for market for AcoArt Tulip™ & Litos™ in December 2020, and successfully launched it in China in January 2021. As of December 31, 2021, we had also launched AcoArt Tulip™ & Litos™ in twelve other countries including Germany, Italy, Switzerland, Czech Republic, Ecuador, Estonia, Hungary, India, South Africa, Spain, Turkey and Brazil. As of December 31, 2021, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

In January 2022, we submitted an IDE application for AcoArt Litos™ Paclitaxel Coated Percutaneous Transluminal Angioplasty (PTA) Balloon Catheter to the Center for Devices and Radiological Health of the FDA. We are also selecting business partners for conducting clinical trials for AcoArt Litos™ in the U.S..

For the year ended December 31, 2021, our revenue generated from the sales of AcoArt Tulip™ & Litos™ in China and overseas amounted to approximately RMB24.09 million.

Other Key Product Candidates

In vascular surgery, other than our Core Products, we have three other commercialized products and 14 product candidates in pipeline. In cardiology, we have ten product candidates in pipeline. In nephrology, we have two product candidates in pipeline. In neurology, we have two product candidates in pipeline. We are also expanding the indications of our AcoArt Orchid® & Dhalia™ for the treatment of vasculogenic ED.

Devices Targeting Vascular Surgery

Other than our Core Products, we have three commercialized products, namely AcoArt Iris™ & Jasmin™, AcoArt Lily™ & Rosmarin™ and Peripheral Aspiration System (AcoStream™), and 14 product candidates in pipeline.

Commercialized Products

1. **AcoArt Iris™ & Jasmin™** is a PTA balloon used to open up narrowing or occlusive vessels for the treatment of SFA/PPA lesions with a vascular interventional approach. We received the NMPA approval for AcoArt Iris™ & Jasmin™ in 2014 and successfully renewed its registration certificate for another five years in June 2019. We also obtained CE Marking for AcoArt Iris™ in 2017. As of December 31, 2021, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

2. **AcoArt Lily™ & Rosmarin™** is a PTA balloon used to open up narrowing or occlusive vessels for the treatment of BTK lesions with a vascular interventional approach. We received the NMPA approval for AcoArt Lily™ & Rosmarin™ in 2015 and successfully renewed its registration certificate for another five years in May 2020. We also obtained CE Marking for AcoArt Lily™ & Rosmarin™ in 2017. As of December 31, 2021, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

   For the year ended December 31, 2021, our revenue from the sales of AcoArt Iris™ & Jasmin™ and AcoArt Lily™ & Rosmarin™ was approximately RMB4.58 million.

3. **Peripheral Aspiration System (AcoStream™)** consists of a single-use suction connection tube, a suction pump and a thrombus aspiration catheter designed for use in the percutaneous aspiration thrombectomy for treatment of pulmonary thrombosis and lower extremity deep vein thrombosis (DVT). We received the NMPA approval for the product in November 2021. Besides, the suction pump of Peripheral Aspiration System (AcoStream™) was approved by NMPA on August 5, 2021.

   For the year ended December 31, 2021, our revenue from the sales of Peripheral Aspiration System (AcoStream™) was approximately RMB35.40 thousand.

Product Candidates in Pipeline

4. **Peripheral Support Catheter** is designed to enhance access to small peripheral vessels. Our peripheral support catheters are used together with guidewires to recanalize complex total occlusion lesions and BTK lesions and to reduce the difficulty of performing surgeries on complex lesions and BTK lesions. Our peripheral support catheter has been sent for type testing. We expect to receive the NMPA approval in 2022.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR PERIPHERAL SUPPORT CATHETER SUCCESSFULLY.

5. **Above-The-Knee PTA Balloon** is a second-generation high-pressure tapered PTA balloon designed for dilation of the femoropopliteal artery in the lower extremity. Our above-the-knee PTA balloon is currently under development. We expect to make the product registration submission for the product with the NMPA in 2022 and to receive the NMPA approval in 2022.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR ABOVE-THE-KNEE PTA BALLOON SUCCESSFULLY.

6. **Below-The-Knee PTA Balloon** is a second-generation high-pressure tapered PTA balloon designed for dilation of the infrapopliteal artery in the lower extremity. Our below-the-knee PTA balloon is currently under development. Our below-the-knee PTA balloon has been sent for type testing. We expect to receive the NMPA approval in 2022.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR BELOW-THE-KNEE PTA BALLOON SUCCESSFULLY.

7. **Peripheral Triple-Guidewire Balloon** incorporates three guidewires around the balloon to achieve focused vasodilatation. We expect to make the product registration submission for the product with the NMPA in 2022 and to receive the NMPA approval in 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR PERIPHERAL TRIPLE-GUIDEWIRE BALLOON SUCCESSFULLY.

8. **Radiofrequency Ablation System** consists of a radiofrequency generator and an endovenous radiofrequency catheter (AcoArt Cedar™). Our radiofrequency ablation system has finished the enrollment. We expect to receive the NMPA approval in 2022.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR RADIOFREQUENCY ABLATION SYSTEM SUCCESSFULLY.

9. **Peripheral Rotational Atherectomy Device** has an exclusively designed drill with high-speed rotary grinding heads used in chronic total occlusion (CTO) treatment. Our peripheral rotational atherectomy device is currently in the stage of pre-clinical study. We expect to make the product registration submission for the product with the NMPA in 2023 and to receive the NMPA approval in 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR PERIPHERAL ROTATIONAL ATHERECTOMY DEVICE SUCCESSFULLY.

10. **Peripheral Spot Stent** is designed for treatment of atherosclerotic lesions in femoropopliteal arteries and post-PTA vascular dissections. Our peripheral spot stent has been sent for type testing and is currently under clinical trial. We expect to receive the NMPA approval in 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR PERIPHERAL SPOT STENT SUCCESSFULLY.

11. **Lower Limb Sirolimus DCB** is a sirolimus coated balloon product indicated for PAD. Our lower limb sirolimus DCB's therapeutic effect has been preliminary validated by the pig coronary model. Our lower limb sirolimus DCB is currently enrolling. We expect to receive the NMPA approval in 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR LOWER LIMB SIROLIMUS DCB SUCCESSFULLY.

12. **Peripheral Scoring Balloon** has a scoring element embedded on the balloon. Our peripheral scoring balloon is currently in the stage of pre-clinical study. We expect to make the product registration submission for the product with the NMPA in 2022 and to receive the NMPA approval in 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR PERIPHERAL SCORING BALLOON SUCCESSFULLY.

13. **2nd Gen Peripheral Aspiration System** is the upgraded product of our current peripheral aspiration system product. Our 2nd gen peripheral aspiration system is currently under development. We expect to receive the NMPA approval in 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR 2ND GEN PERIPHERAL ASPIRATION SYSTEM SUCCESSFULLY.

14. **Peripheral IVL System** is a intravascular lithotripsy device mounted on a conventional balloon angioplasty. Energizing the lithotripsy device will generate pulsatile energy to disrupt hard calcium among the lesion, to allow subsequent dilation of stenotic lesion with lower balloon pressure and ultimately to reduce the rate of stent implantation. Our peripheral IVL system is currently under development. We expect to receive the NMPA approval in 2026.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR PERIPHERAL IVL SYSTEM SUCCESSFULLY.

15. **Peripheral Thrombectomy Device** features a nitinol retrievable stent and is designed to capture the clot in peripheral veins. Our peripheral thrombectomy device is currently under development. We expect to receive the NMPA approval in 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR PERIPHERAL THROMBECTOMY DEVICE SUCCESSFULLY.

16. **Peripheral Coil** is designed to embolize peripheral vessel or aneurysm. Our peripheral coil is currently under development. We expect to receive the NMPA approval in 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR PERIPHERAL COIL SUCCESSFULLY.

17. **Carotid Stent** is indicated to provide physical support for narrowed carotid artery, which will cause ischemia of the brain. Our carotid stent is currently under development. We expect to receive the NMPA approval in 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CAROTID STENT SUCCESSFULLY.

Devices Targeting Cardiology

1. **Coronary CTO Antegrade Micro-Catheter** is designed for treating coronary artery CTO with an antegrade passing technique. Our coronary CTO antegrade micro-catheter is currently under development. We expect to receive the NMPA approval in 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORONARY CTO ANTEGRADE MICRO-CATHETER SUCCESSFULLY.

2. **Coronary CTO Recanalization Balloon** has a diameter of 0.8 mm, to be the smallest on the market once it is launched. It helps to address the problem of poor passage through small vessels that balloons existing on the market have. Our coronary CTO recanalization balloon is currently under development. We expect to receive the NMPA approval in 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORONARY CTO RECANALIZATION BALLOON SUCCESSFULLY.

3. **Coronary Double-Lumen Selecting Catheter** is designed for treating complex bifurcation lesions. Our coronary double-lumen selecting catheter is currently under development. We expect to make the product registration submission for the product with the NMPA in 2022 and to receive the NMPA approval in 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORONARY DOUBLE-LUMEN SELECTING CATHETER SUCCESSFULLY.

4. **Coronary Retrograde Micro-Catheter** is designed for treating coronary artery CTO with a retrograde passing technique. Our coronary retrograde micro-catheter is currently under development. We expect to make the product registration submission for the product with the NMPA in 2023 and to receive the NMPA approval in 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORONARY RETROGRADE MICRO-CATHETER SUCCESSFULLY.

5. **Guiding Extension Catheter** helps deliver stents and balloons through its guiding catheter in complicated lesions. Our guiding extension catheter is currently under development. We expect to make the product registration submission for the product with the NMPA in 2023 and to receive the NMPA approval in 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR GUIDING EXTENSION CATHETER SUCCESSFULLY.

6. **Coronary Rotational Atherectomy Device** refers to our rotational atherectomy technology used in eliminating intracardiac intravascular hard plaque. Our coronary rotational atherectomy device is currently in the stage of pre-clinical study. We expect to make the product registration submission for the product with the NMPA in 2023 and to receive the NMPA approval in 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORONARY ROTATIONAL ATHERECTOMY DEVICE SUCCESSFULLY.

7. **AcoArt Camellia™** is a paclitaxel DCB indicated for the treatment of coronary small-vessel diseases (SVD). We expect to complete the RCT in 2023. Our AcoArt Camellia™ is currently enrolling. We expect to receive the NMPA approval in 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR ACOART CAMELLIA™ SUCCESSFULLY.

8. **Coronary Sirolimus DCB** is a sirolimus DCB indicated for the treatment of bifurcation lesions in coronary arteries. We have initiated an RCT for our coronary sirolimus DCB in January 2021 to evaluate the safety and efficacy of sirolimus DCB in treating bifurcation lesions in coronary arteries. We have initiated the subject enrollment of the RCT for our coronary sirolimus DCB in 2021, and expect to complete the enrollment in 2022. Our coronary sirolimus DCB is currently enrolling. We expect to receive the NMPA approval in 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORONARY SIROLIMUS DCB SUCCESSFULLY.

9. **Coronary Scoring Balloon** has a scoring element embedded on the balloon. Our coronary scoring balloon has been sent for type testing. We expect to receive the NMPA approval in 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORONARY SCORING BALLOON SUCCESSFULLY.

10. **Coronary IVL System** is a intravascular lithotripsy device mounted on a conventional balloon angioplasty. Energizing the lithotripsy device will generate pulsatile energy to disrupt hard calcium among the coronary lesion, to allow subsequent dilation of stenotic lesion with lower balloon pressure and ultimately to reduce the rate of stent implantation. Our coronary IVL system is currently under development. We expect to receive the NMPA approval in 2026.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORONARY IVL SYSTEM SUCCESSFULLY.

Devices Targeting Nephrology

1. **High-Pressure Balloon** dilates arterial and venous access with a blasting pressure as high as 30 atm, higher than the blasting pressure of 25 atm of most existing balloons on the market. Our high-pressure balloon is currently under development. We expect to make the product registration submission for the product with the NMPA in 2022 and to receive the NMPA approval in 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR HIGH-PRESSURE BALLOON SUCCESSFULLY.

2. **AV Scoring Balloon** has a scoring element embedded on the balloon. Our AV scoring balloon is currently in the stage of pre-clinical study. We expect to make the product registration submission for the product with the NMPA in 2022 and to receive the NMPA approval in 2023.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR AV SCORING BALLOON SUCCESSFULLY.

Devices Targeting Neurology

1. **AcoArt Daisy™** is a rapid exchange system DCB indicated for the treatment of intracranial atherosclerotic stenosis (ICAS). As of December 31, 2021, we had enrolled ten patients in the RCT for AcoArt Daisy™, and expect to complete the RCT in 2022. Our AcoArt Daisy™ is currently enrolling. We expect to receive the NMPA approval in 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR ACOART DAISY™ SUCCESSFULLY.

2. **Intracranial PTA Balloon** optimizes catheter platform and lubricant coating of the balloon to ensure the passage in a tortuous and narrow vascular environment and make the best vessel preparation for DCB. Our intracranial PTA balloon has been sent for type testing. We expect to receive the NMPA approval in 2022.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR INTRACRANIAL PTA BALLOON SUCCESSFULLY.

Devices Targeting Andrology

In andrology, we are expanding the indications of our two Core Products, namely AcoArt Orchid® & Dhalia™ and AcoArt Tulip™ & Litos™, for the treatment of vasculogenic ED. We expect to initiate the clinical trial required by the NMPA in order for us to expand the indication of AcoArt Orchid® & Dhalia™ and AcoArt Tulip™ & Litos™ to treating vasculogenic ED. Our AcoArt Orchid® & Dhalia™ and AcoArt Tulip™ & Litos™ are currently enrolling. We expect to receive the NMPA approval in 2025.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR ACOART ORCHID® & DHALIA™ AND ACOART TULIP™ & LITOS™ INDICATED FOR TREATING VASCULOGENIC ED.

Research and Development

We have a strong in-house research and development team of 86 members. The team is led by Ms. Weijia LI, Ms. Yaze LI, Mr. Ruijie ZHANG, Mr. Lizhong LU and Mr. Scott WILSON.

We primarily adopted a self-development business model. Our research and development team self-developed most of the key technologies used in our products and product candidates, and we own substantially all the rights pertaining to all our products and product candidates, except that the formula of the excipient used in our DCB products (which we believe is a key differentiating aspect of our products) was licensed from InnoRa GmbH, our business partner. Furthermore, as of December 31, 2021, we had a robust intellectual property portfolio, consisting of 27 registered patents and 13 pending patent applications. During the year ended December 31, 2021, we enhanced our research and development team with technicians in the field of electronic science and technology, automation and computer programming, which further improved our talent pool.

We also assembled a new team dedicating in the research and development of power-sourced devices located in Shenzhen, with a laboratory of approximately 600 sq.m..

We established Acotec Technologies Limited ("**Acotec Technologies**") in California, U.S. on November 19, 2021. With a group of experienced engineers and scientists in the R&D team, Acotec Technologies is the research and development center of our Company in the U.S. (the "**U.S. R&D Center**") with a primary focus on the research and development of forward-looking and innovative products.

Our U.S. R&D Center is led by Mr. Wilson who has over 25 years of experience in medical product development. Mr. Wilson is the general manager of Acotec Technologies in the U.S.. Before joining us, Mr. Wilson served as a vice president of R&D at two vascular medical device companies, Medina Medical and Silk Road Medical. Prior to these roles, Mr. Wilson had leadership roles at Concentric Medical, which was acquired by Stryker Neurovascular. Mr. Wilson was the lead director and engineer at Concentric Medical that developed multiple product lines, including Trevo Stentreiver, Flow Gate and Distal Access Catheters (DAC).

Mr. Wilson brings to the team over 25 years of medical device engineering experience, with his career including management roles in R&D, manufacturing, marketing, and clinical matters. Mr. Wilson's career has been split between the neurovascular and peripheral space, including roles at Medina Medical, Silk Road Medical, Stryker Neurovascular, Concentric Medical, and Guidant. Mr. Wilson received a bachelor of science degree in Bioengineering from UC San Diego.

As of the date of this annual report, our U.S. R&D Center has made significant progress with respect to our future product pipeline.

We have also expanded our Scientific Advisory Board in October 2021 by inviting four other top physicians, namely Prof. Peter Schneider, Dr. Matthew T. Menard, Dr. Sahil A. Parikh, and Prof. Thomas Zeller to join. The Scientific Advisory Board will provide guidance to and lead the execution of our Company's global study for BTK DCB products indication expansion in the U.S. and Europe for the purpose of registration with the FDA in the U.S.. Meanwhile, the Scientific Advisory Board will also provide input and feedback to guide our Company's new product development in peripheral intervention space and will support our Company's physician education both in China and in global market.

Manufacturing

Our principal manufacturing facility is located at our headquarters in Beijing, China, with an aggregate gross floor area of approximately 6,000 sq.m.. As of December 31, 2021, our facility was primarily used for the production of our balloon catheter products, including DCB and PTA products and product candidates.

We have also extended our manufacturing capacity to the upstream of the manufacturing of micro-extrusions by having a manufacturing facility in Shenzhen (the "**Shenzhen Facility**"). With approximately 2,400 sq.m., our Shenzhen Facility successfully obtained the ISO 13485 certificate qualification and ability to supply the tubes for manufacturing balloon catheters in 2021 and has the maximum annual production capacity of 135 thousand catheters. Our Shenzhen Facility enables us to stabilize the supply of material for catheters, to reduce the impact on us due to the epidemic influence on oversea supply chains, i.e. significant price fluctuation and delay in lead time, and to improve the quality of product by customizing the materials.

The production capacity, actual production volume and utilization rate for our commercialized balloon catheter products in our manufacturing facility for the year ended December 31, 2021 is approximately 84,429, 73,355, and 86.88%, respectively. We conduct all the manufacturing process of our balloon catheter products in-house.

Sales and Marketing

Currently, we primarily sell and market our Core Products, namely AcoArt Orchid® & Dhalia™ and AcoArt Tulip™ & Litos™, and our PTA balloon products, namely AcoArt Iris™ and AcoArt Lily™ & Rosmarin™, in China. We also sell and market AcoArt Orchid® and AcoArt Tulip™ & Litos™ in several overseas countries. For the year ended December 31, 2021, we generated revenue of approximately RMB299.17 million from the sales of our Core Products and a substantial portion of which is generated from our sales in China. We also launched our Peripheral Aspiration System (AcoStream™) before the end of 2021. As our current products and product candidates receive more marketing approvals in countries and regions outside China, we expect to generate more sales from overseas markets.

We use a combination of our in-house sales and marketing team, our connections with hospitals and a network of independent distributors to sell our products in China. As of December 31, 2021, we had a sales and marketing team of 48 staff members in China, led by the head of our sales and marketing team, Ms. ZHANG Hui, who has vast sales and marketing experience in the medical device industry. We also had sales and marketing staff in India in charge of overseas sales and marketing. Our in-house sales and marketing team tracks and analyzes applicable local laws and regulations and government policies as well as market data of our products in order to formulate national and regional marketing strategies more effectively.

We employ a strategic marketing model to promote and sell our products. Under this model, we promote our products to hospitals in China through academic marketing, by establishing research and clinical collaboration and training relationships with hospitals and by leveraging our network with KOLs.

Intellectual Property Rights

We have built a comprehensive intellectual property portfolio in China and overseas to protect our technologies, inventions and know-how and ensure our future success with commercializing our products. As of December 31, 2021, we had 27 registered patents and 26 registered trademarks, as well as 13 pending patent applications and nine pending trademark applications in China and overseas. There is no material legal impediment for us to obtain the approvals for these pending patents and trademarks.

Impact of the COVID-19 Outbreak

Although we experienced slight delays in the patient enrollment, data collection and data analysis processes for certain of our clinical trials, we had resumed the normal patient enrollment and data analyses for our clinical trials in China since April 2020. Moreover, the sales of our DCB products in China for 2020 have been significantly affected by the COVID-19 pandemic, but the sales amount of AcoArt Orchid® & Dhalia™ gradually bounced back since April 2020. As of December 31, 2021, we had not encountered any material long-term impact on our clinical trials or our overall clinical development plans, nor had we experienced any significant impact on product sales. Further, since the outbreak of the COVID-19 in December 2019 and as of December 31, 2021, we had no suspected or confirmed COVID-19 cases on our premises or among our employees. We had not experienced any material difficulties in procuring our major raw materials and had not experienced significant fluctuations in the prices of our supplies since the outbreak of COVID-19 and as of December 31, 2021.

FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this annual report.

Revenue

During the Reporting Period, all our revenue was generated from sales of medical devices. Sales of DCB products, our Core Product, have comprised the major portion of our revenue since its first commercialization in China in 2016. Our revenue primarily comprised of the sales of Orchid® & Dhalia™, two of our Core Products, launched in China in 2016. In January 2021, we launched another Core Product, AcoArt Tulip™ & Litos™ in China. We expect that sales of our Core Products will continue to account for a substantial portion of our total revenue in the near future.

The Group's revenue for the year ended December 31, 2021 was approximately RMB303.8 million, representing an increase of approximately 56.6% compared to approximately RMB194.0 million for the year ended December 31, 2020. The increase was primarily attributable to (i) an increase in the number of surgeries performed with our medical devices, (ii) new Core Product AcoArt Tulip™ & Litos™ launched in China since January 2021, and (iii) the normalization of COVID-19 epidemic prevention and control has enabled patients to seek medical treatment normally. It is noted that such number of surgeries performed with our medical devices recorded a sharp increase compared to the year ended December 31, 2020. For the year ended December 31, 2021, revenue from sales of DCB products accounted for approximately 98.5% of our total revenue, as compared to approximately 98.1% for the year ended December 31, 2020.

The following table sets forth a breakdown of our revenue by product:

	Year ended December 31, 2021		Year ended December 31, 2020	
Revenue	**RMB'000**	**Proportion**	RMB'000	Proportion
DCB products	**299,165**	**98.5%**	190,279	98.1%
AcoArt Orchid® & Dhalia™	**275,071**	**90.5%**	187,246	96.5%
AcoArt Tulip™ & Litos™	**24,094**	**8.0%**	3,033	1.6%
PTA balloon products	**4,581**	**1.5%**	3,696	1.9%
Others	**67**	**0.0%**	–	–
Total	**303,813**	**100.0%**	193,975	100.0%

Cost of Sales

The cost of sales primarily consists of staff costs, raw material costs, depreciation and amortization, utility costs and others.

The Group's cost of sales for the year ended December 31, 2021 was approximately RMB37.9 million, representing an increase of approximately 25.5% compared to approximately RMB30.2 million for the year ended December 31, 2020. The increase was primarily attributable to (i) increase of sales volume of the Orchid® & Dhalia™, (ii) cost of sales of AcoArt Tulip™ & Litos™ in China was just included since 2021 due to new launch, and (iii) scale effect of production.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased by approximately 62.4% from approximately RMB163.8 million for the year ended December 31, 2020 to approximately RMB265.9 million for the year ended December 31, 2021. Gross profit margin is calculated as gross profit divided by revenue. The gross profit margin of the Group increased from approximately 84.4% for the year ended December 31, 2020 to approximately 87.5% for the year ended December 31, 2021, mainly due to an increase in sales volume of DCB.

Other Income

The Group recorded other income for the year ended December 31, 2021 was approximately RMB11.4 million, representing an increase of approximately 147.8% compared to approximately RMB4.6 million for the year ended December 31, 2020, primarily attributable to an increase in government grants received and an increase in interest income due to increase in balance of bank deposits.

Other Gains and Losses, Net

The net other gains and losses primarily consisted of gain on fair value change of financial assets measured at fair value through profit or loss, net exchange gain or loss, gain or loss on disposal of property, plant and equipment, and others.

The Group recorded net other gains and losses for the year ended December 31, 2021 was a loss of approximately RMB8.8 million, representing a decrease compared to a gain of approximately RMB0.7 million for the year ended December 31, 2020. The decrease was mainly due to foreign exchange loss.

Gain (loss) on fair value change of preferred shares

The Group recorded loss on fair value change of preferred shares of approximately RMB33.5 million for the year ended December 31, 2021, compared to a gain of approximately RMB0.4 million for the year ended December 31, 2020. All the then existing preferred shares were converted to ordinary shares upon the global offering.

Impairment Losses on expected credit loss model, net of reversal

The Group had a reversal of impairment losses on expected credit loss model amounting to approximately RMB0.8 million during the year ended December 31, 2021 compared to loss with approximately RMB1.1 million for the year ended December 31, 2020. The reversal was primarily due to the recovery of non-credited impaired trade receivables.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the year ended December 31, 2021 were approximately RMB58.8 million, representing an increase of approximately 80.4% compared to approximately RMB32.6 million for the year ended December 31, 2020. The increase was primarily attributable to (i) employee stock ownership plan ("**ESOP**") expense in January 2021, (ii) to the fact that fewer conferences were held in the first half of 2020 due to the impact of COVID-19, and (iii) an increase in the number of sales staff and therefore an increase in staff cost.

R&D Costs

The Group's R&D costs for the year ended December 31, 2021 were approximately RMB141.3 million, representing an increase of approximately 69.2% compared to approximately RMB83.5 million for the year ended December 31, 2020. The increase was primarily attributable to (i) the research and development expense of the Shenzhen R&D center which was acquired in May 27, 2020 and was consolidated in the comprehensive financial statement of the Group from the acquisition date onwards for the year ended December 31, 2020; (ii) increase in staff cost; (iii) ESOP expense in 2021, and (iv) the increased investments in the on-going research and development projects.

The following table sets forth the components of our research and development expenses for the period indicated.

	Year ended December 31,			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Employee benefits expenses	**50,950**	**36.0%**	21,941	26.3%
Third-party contracting expenses	**35,405**	**25.1%**	15,115	18.1%
Depreciation and amortisation	**4,326**	**3.1%**	1,809	2.2%
Material consumed	**30,550**	**21.6%**	27,783	33.3%
Consultancy fee	**9,487**	**6.7%**	10,592	12.7%
Others	**10,570**	**7.5%**	6,247	7.5%
	141,288	**100.0%**	83,487	100.0%

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2021 were approximately RMB58.1 million, representing a decrease of approximately 19.4% compared to approximately RMB72.1 million for the year ended December 31, 2020. The decrease was primarily due to share-based compensation decreased in 2021.

Finance Costs

The Group's finance costs for the year ended December 31, 2021 were approximately RMB3.8 million, representing an increase of approximately 171.4% compared to approximately RMB1.4 million for the year ended December 31, 2020. The increase was primarily attributable to the interest expense on bank borrowings.

Income Tax Expense

The Group's income tax expense for the year ended December 31, 2021 was approximately RMB11.8 million, representing a decrease of approximately 7.8% compared to the income tax expense of approximately RMB12.8 million for the year ended December 31, 2020. The decrease was primarily attributable to more additional tax deduction for R&D expenses compared with the previous year.

Non-IFRS Measures

To supplement our audited consolidated statement of profit or loss and other comprehensive income which is presented in accordance with the IFRS, we also use adjusted net loss as a non-IFRS measure, which is not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measure when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impact of certain non-recurring or one-off expenses that do not affect the Group's ongoing operating performance, including listing expenses, loss on fair value change of preferred shares, net exchange loss on the translation of listing proceeds, deferred tax asset reversal and share-based payments expenses. Such non-IFRS measure allows investors to consider metrics used by our management in evaluating our performance.

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

	Year ended December 31, 2021 RMB'000	Year ended December 31, 2020 RMB'000
Loss for the year	**(79,077)**	(44,292)
add:		
Share-based payments [1]	**33,356**	51,956
Net exchange loss on the translation of listing proceeds [2]	**9,350**	–
Loss (gain) on fair value change of preferred shares [3]	**33,458**	(447)
Listing expenses [4]	**41,129**	10,317
Deferred tax asset reversal [5]	**4,174**	–
Adjusted Net Profit for the year [6]	**42,390**	17,534

Notes:

(1) Share-based payments are non-operational expenses arising from granting shares to selected executives, employees, the amount of which may not directly correlate with the underlying performance of our business operations, and is also affected by non-operating performance related factors that are not closely or directly related to our business activities.

(2) The amounts represent the net exchange loss on the translation of listing proceeds was included in the net exchange loss under other gain and losses, which was primarily arisen from re-translation of net balances of listing proceeds.

(3) Loss (gain) on fair value change of preferred shares are one-off expenses arising from when the preferred shares were converted to ordinary shares upon the global offering. The fair value loss of preferred shares is a non-cash item, and there will be no further gains or losses on fair value changes from these preferred shares after the conversion into ordinary shares upon the closing of the global offering.

(4) Listing expenses are one-off expenses in relation to the listing of the Company's shares on the Main board of the Stock Exchange.

(5) Deferred tax reversal due to deductible temporary difference and tax losses cannot be utilized by future tax profit.

(6) We consider share-based payments, net exchange loss on the translation of listing proceeds, loss on fair value change of preferred shares, listing expenses and deferred tax asset derecognition as non-operational or one-off expenses which do not affect our ongoing operating performance. We believe the net loss as adjusted by eliminating potential impacts of the share-based payments, net exchange loss on the translation of listing proceeds, loss on fair value change of preferred shares, listing expenses and deferred tax asset reversal provides useful information to investors in facilitating a comparison of our operating performance from period to period.

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

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth, safeguard its normal operations and maximize shareholders' value. The Group reviews and manages its capital structure on a regular basis, and makes timely adjustments to it in light of changes in economic conditions. To maintain or realign our capital structure, the Group may raise capital by way of bank loans or issuance of equity or convertible bonds.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at December 31, 2021 were approximately RMB1,137.2 million, representing an increase of approximately 673.1% compared to approximately RMB147.1 million as at December 31, 2020. The increase was primarily attributable to the offering of Shares on the Main Board of the Stock Exchange.

We rely on capital contributions by our shareholders and bank loans as the major sources of liquidity. We also generate cash from our sales revenue of existing commercialized products, including PTA balloons and DCB. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of existing commercialized products and by launching new products, as a result of the broader market acceptance of our existing products and our continued efforts in marketing and expansion, improving cost control and operating efficiency.

Borrowings and Gearing Ratio

The Group's bank borrowings, as at December 31, 2021 were RMB6.0 million, representing a decrease of 70.0% compared to RMB20.0 million as at December 31, 2020. The decrease was primarily attributable to repayment of principal and interest of such borrowings by the Group at the beginning of 2021.

Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100%. As at December 31, 2021, the gearing ratio of the Group decreased to approximately 8.3% from approximately -197.1% as at December 31, 2020.

Net Current Assets

The Group's net current assets, as at December 31, 2021 were approximately RMB1,155.4 million, representing an increase of approximately 721.5% compared to net current liabilities of approximately RMB185.9 million as at December 31, 2020.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our bank balances, trade receivables, other receivables and trade and other payables, are dominated in foreign currencies and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Significant Investments, Material Acquisitions and Disposals

As of December 31, 2021, we did not hold any significant investments. For the Reporting Period, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital Expenditure

For the year ended December 31, 2021, the Group's total capital expenditure amounted to approximately RMB21.9 million, which was used in (i) purchase of property, plant and equipment; (ii) payment of rental deposits; (iii) purchase of intangible assets.

Charge on Assets

As at December 31, 2021, there was no charge on assets of the Group (2020: nil).

Contingent Liabilities

As at December 31, 2021, we did not have any contingent liabilities (2020: nil).

Future Investment Plans and Expected Funding

The Group will continue to expand its markets in the PRC and globally in order to tap its internal potential and maximize shareholders' interest. The Group will continue to push products development in our pipeline. The Group will continue to grow through self-development, mergers and acquisitions, and other means. We will employ a combination of financing channels to finance capital expenditures, including but not limited to internal funds and bank loans. Currently, the bank credit lines available to the Group are adequate.

COVID-19 Impact and Response

The outbreak of COVID-19 had an adverse impact on our product sales, financial condition and results of operations. Delays have been caused to our animal studies, clinical trials and product registration, since medical resources of hospitals in China were allocated to addressing COVID-19. However, we believe that we have sufficient cash position and other available financial resources to cover our costs for normal operations for at least the next 12 months from the date of this annual report.

It is uncertain when, and whether, COVID-19 could be contained. The above analysis is made by our management team based on currently available information concerning COVID-19. Management of the Company cannot guarantee that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our results of operations.

Employees and Remuneration Policies

As of December 31, 2021, we had 362 employees in total. Most of them are stationed in China. We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We assess our employees based on their performance to determine their salary, promotion and career development.

In compliance with the applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three to five years.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, project and stock incentive plans to our employees, especially key employees.

Subsequent Events

On January 27, 2022, the Company granted 1,540,000 restricted share units to 55 eligible employees under the restricted share units scheme adopted by the Company on January 8, 2021. The granted restricted share units have a vesting period of two years and are subjected to non-market performance vesting conditions.

Save as disclosed above, there is no material subsequent event undertaken by the Group from December 31, 2021 to the date of this annual report.

USE OF NET PROCEEDS FROM LISTING

Net proceeds from the Global Offering and the full exercise of the over-allotment option, after deduction of the underwriting fees and commissions and expenses of the Company in connection with the Global Offering, was approximately RMB1,294.0 million. The Group would apply such proceeds in a manner consistent with the intended use of proceeds as disclosed in the Prospectus.

The table sets forth the utilization of the net proceeds from the Global Offering and the unutilized amount as at December 31, 2021:

Intended use of proceeds as stated in the Prospectus	**Percentage to total amount** %	**Net proceeds** RMB'000	**Utilised amount as at December 31, 2021** RMB'000	**Unutilised amount as at December 31, 2021** RMB'000	**Expected timeline for unutilized amount**
Development and commercialization of our Core Products	32	414,067	33,705	380,362	Year 2027
Development and commercialization of other 24 products	23	297,611	40,425	257,186	Year 2024
Expand our production capacity and strengthen our manufacturing capabilities	7	90,577	852	89,725	Year 2023
Expand our product portfolio through in-house research and development, collaboration, mergers and acquisitions, in-licensing or equity investments	24	310,550	–	310,550	Year 2024
Working capital and other general corporate purposes	8	103,517	–	103,517	Year 2025
Repay the Loan	6	77,638	77,638	–	N/A
Total	**100**	**1,293,960**	**152,619**	**1,141,341**	

The unused proceeds are currently placed into authorized financial institutions. The expected timeline for utilizing the net proceeds from the Global Offering is based on the best estimation of future market conditions made by the Group and subject to changes in accordance with our actual business operation. If there is any change in the use of proceeds, the Company will publish a separate announcement accordingly.

OUTLOOK

Our goal is to become a global leader that provides full-suite of interventional solutions for vascular diseases.

In August 2021, our peripheral vacuum aspiration pump was approved to launch. Our Peripheral Aspiration System (AcoStream™) was approved to launch three months later. As of December 31, 2021, all of our products under the peripheral thrombus aspiration system had been launched, which made us become the first Chinese enterprise possessing originated technologies and ability to provide comprehensive solution in such sector. We also plan to further promote peripheral aspiration system awareness among doctors and patients in China in order to broaden the doctor and patient base.

Leveraging the synergistic effects from our four core technologies, we will further expand our product offerings. To fuel our long-term growth, we plan to further expand our coverage in the domain of vascular interventional therapies. We plan to cover five therapeutic areas consisting of vascular surgery, cardiology, nephrology, neurology and andrology primarily by leveraging our four technology platforms. We also plan to expand our product offerings from therapeutic devices, procedural devices to other ancillary devices for vascular interventional procedures in each of the five therapeutic areas.

We will continue to grow sales of AcoArt Orchid® & Dhalia™ through increasing our sales efforts to deepen the penetration in hospitals to which we currently sell AcoArt Orchid® & Dhalia™ and expanding into new hospitals in China by leveraging our direct access to KOLs in vascular interventional therapy, providing systematic training to physicians, and increasing DCB awareness among hospitals, physicians and patients.

To enjoy early-mover advantage, we will rapidly advance the clinical development and commercialization of our late-staged product candidates. We will also broaden our sales and expand our presence globally, especially in Europe and the United States. To execute our global expansion strategy, we will continue to participate in international vascular intervention conferences and academic events, such as Leipzig Interventional Course (LINC), to further promote our products and brand name. We also plan to conduct clinical trials for some product candidates in China and Europe simultaneously. We believe our existing brand name in Europe will contribute to our future expansion in the United States and other emerging markets.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2021 (2020: nil).

CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold the AGM on Thursday, May 26, 2022. The register of members of the Company will be closed from Monday, May 23, 2022 to Thursday, May 26, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, May 20, 2022.

Biographies of Directors and Senior Management

The biographical details of the Directors and senior management are set out as follows:

EXECUTIVE DIRECTORS

Ms. Jing LI (李靜), aged 50, is our executive Director, chairperson of the Board and the chief executive officer. She was appointed as a Director on December 3, 2020 and appointed as the chairperson of the Board and re-designated as an executive Director on January 29, 2021. She is in charge of the overall strategic planning, business direction and operational management of the Group and holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Beijing Acotec	Chairperson of the board of directors	April 17, 2017 to December 24, 2018 August 25, 2020 to present
	Director	January 28, 2008 to December 24, 2018 August 25, 2020 to present
	General manager	January 28, 2008 to December 5, 2014 December 24, 2018 to present
	Chief executive officer	March 10, 2017 to present
Pine Medical	Director	November 22, 2011 to September 28, 2018 August 15, 2020 to present

Ms. Li has over 28 years of experience in the medical devices industry. From April 2006 to March 2008, she served as head of China in Invatec, a company which develops and manufactures cardiac, peripheral and neurointerventional devices and was subsequently acquired by Medtronic plc, a medical device company listed on the New York Stock Exchange (ticker symbol: MDT). Before joining Invatec, Ms. Li worked in sales of cardiovascular products for 10 years since 1994.

Ms. Li obtained her bachelor's degree in Safety and Environmental Protection Engineering from Jiangsu Institute of Technology (江蘇工學院) (currently known as Jiangsu University (江蘇大學)) in Jiangsu, PRC in July 1993.

Mr. Silvio Rudolf SCHAFFNER, aged 52, is our executive Director and the chief operating officer. He was appointed as a Director on December 3, 2020 and re-designated as an executive Director on January 29, 2021. He has been the chief operating officer of Beijing Acotec since March 10, 2017. Mr. Schaffner is in charge of the overall strategic planning, business direction and operational management of the Group.

Mr. Schaffner has over 29 years of experience in the medical devices industry. From December 2004 to June 2009, Mr. Schaffner served as the managing director and the legal representative of Invatec. From June 2009 to August 2010, he served as the president of management and the legal representative of Invatec. Mr. Schaffner holds various patents in orthopedic implantation and vascular intervention fields. As of the date of this annual report, no intellectual property rights that are material to our Group (including those relating to the Core Products) was filed and/or owned by Mr. Schaffner. For our material patents, please refer to the paragraphs headed "Management Discussion and Analysis – Business Overview – Intellectual Property Rights" in this annual report. Before joining Invatec, Mr. Schaffner successively served as the Head of Polymer Research at Sulzer Orthopedics Ltd. and then head of R&D at Jomed NV (acquired by Abbott in 2003) from 1993 to 2003.

Mr. Schaffner obtained his diploma in mechanical engineering from Höhere Technische Lehranstalt Brugg-Windisch in November 1993 and his master's degree in business administration from University of St. Gallen in Switzerland in October 1997.

NON-EXECUTIVE DIRECTORS

Mr. Ke TANG (唐柯), aged 42, was appointed as a Director on December 3, 2020 and re-designated as a non-executive Director on January 29, 2021. Mr. Tang is responsible for overseeing Board affairs and providing strategic advice and guidance on the Group's affairs and holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Beijing Acotec	Chairperson of the board of directors	December 24, 2018 to August 25, 2020
	Director	December 24, 2018 to present
Pine Medical	Director	September 28, 2018 to present

Mr. Tang has over 13 years of experience in the investment and investment banking industry. From July 1, 2013 to December 31, 2018, Mr. Tang served at Shanghai Panxin Equity Investment Management Limited (上海磐信股權投資管理有限公司) where he held various positions, including senior investment manager, vice president and director. From January 1, 2019, Mr. Tang served as a director of Beijing Panmao Investment Management Co., Ltd. (北京磐茂投資管理有限公司), and now serves as managing director and head of a healthcare investment team. Mr. Tang was an associate and executive director at the investment banking division of Goldman Sachs Gao Hua from 2008 to 2011 and later served as an investment manager at the principal investment department of Goldman Sachs Group from 2012 to 2013.

Mr. Tang currently serves as a non-executive director of 3SBio Inc., a biotechnology company listed on the Stock Exchange (stock code: 1530). Mr. Tang also serves as the chairman of the board of directors of Spectrum Dynamics Medical Group Limited and Beijing EverLife Healthcare Hospital Management Company Limited (北京長生眾康醫院管理有限公司). Mr. Tang was also a director of Bluesail Medical Co., Ltd. (藍帆醫療股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002382) from August 2018 to May 2020, BeiGene, Ltd. (a listed company on NASDAQ at the time when he was a director which has been dually listed on NASDAQ (Trading Symbol: BGNE) and the Stock Exchange (stock code: 6160) since 2018) from 2014 to 2017 and Biosensors International Group, Ltd. (a company formerly listed on Singapore Exchange Securities Trading Limited which was subsequently delisted in 2016) from 2016 to 2018.

Mr. Tang obtained his Bachelor of Arts degree from Southeast University in Nanjing in June 2001 and his master's degree in business administration from Kellogg School of Management at Northwestern University in Illinois in July 2008.

Mr. Chen CHEN (陳琛), aged 38, was appointed as a Director on December 3, 2020 and re-designated as a non-executive Director on January 29, 2021. Mr. Chen is responsible for overseeing Board affairs and providing strategic advice and guidance on the Group's affairs and holds the following positions in the subsidiaries of our Group:

Name of subsidiary	Position	Period
Beijing Acotec	Director	December 24, 2018 to present
Tianjin Acotec	Supervisor	December 24, 2018 to present
VascuPatent Medical	Chairperson of the board of directors	June 5, 2020 to present

Mr. Chen has 11 years of experience in the business consulting and investment management industry. From July 2015 to December 2018, he worked in Shanghai Panxin Equity Investment Management Limited (上海磐信股權投資管理有限公司) where he held various positions, including investment manager, senior investment manager and vice president. From January 2019 to August 2020, he served at Tianjin Panmao Enterprise Management Limited Liability Partnership (天津磐茂企業管理合夥企業(有限合夥)) as a principal. Since September 2020, he serves at Beijing Panmao Investment Management Co., Ltd. (北京磐茂投資管理有限公司) as a principal. Prior to joining the investment management industry, Mr. Chen was a consultant at the Shanghai branch of Bain & Company from October 2009 to August 2013.

Mr. Chen currently also serves as a director of several other companies, including Shanghai MicroPort MedBot (Group) Co., Ltd. (上海微創醫療機器人(集團)股份有限公司) since September 2020, Shanghai Hanyu Medical Technology Co., Ltd. (上海捍宇醫療科技股份有限公司) since August 2019 and Spectrum Dynamics Medical Group Limited since March 2018.

Mr. Chen obtained his bachelor's degree in Electronic Engineering and his master's degree in Industrial Economics (產業經濟學) from Shanghai Jiaotong University in July 2005 and January 2009, respectively, and his Master of Business Administration degree from University of Chicago in June 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yuqi WANG (王玉琦), aged 74, was appointed as an independent non-executive Director on January 29, 2021 (effective from the Listing Date) and is responsible for providing independent advice and judgment to our Board.

Dr. Wang has around 41 years of experience in practising medicine. Dr. Wang is currently a professor in vascular surgery and doctoral supervisor in Fudan University, the former president of Zhongshan Hospital Affiliated to Shanghai Medical College (復旦大學附屬中山醫院) and the director of Vascular Surgery Institute (血管外科研究所) of Fudan University. Dr. Wang was recognized as an honorary professor of Zhongshan Hospital Affiliated to Shanghai Medical College in November 2018. He also serves in various distinguished organizations and associations in the industry, including serving as the deputy chief of Vascular Surgery Group, Surgery Division of Chinese Medical Association (中華醫學會外科分會血管外科學組), the standing director of Shanghai Association of Surgery (上海外科學會), the standing director of Specialized Committee of Hospital Economic Management (中國醫院管理學會醫院經濟管理專業委員會), a committee member of China Hospital Management Society (上海醫院管理學會), and a member of International Society for Cardiovascular Surgery (國際心血管外科學會), International College of Angiology (國際脈管學會) and International Endovascular Treatment Specialists (國際血管腔內治療專家).

Dr. Wang obtained his bachelor's degree in medicine from Peking Union Medical College (北京協和醫學院) in the PRC in August 1970 and a master's degree in medicine from Shanghai First Medical College (上海第一醫學院) (currently known as Shanghai Medical College of Fudan University (復旦大學上海醫學院)) in the PRC in August 1982. He is a registered medical officer in the PRC since August 2002.

Ms. Hong NI (倪虹), aged 49, was appointed as an independent non-executive Director on January 29, 2021 (effective from the Listing Date) and is responsible for providing independent advice and judgment to our Board.

Ms. Ni has more than 21 years of experience in corporate finance and capital market activities. Ms. Ni served as an executive director and the chief investment officer of Cogobuy Group, a company listed on the Stock Exchange (stock code: 400) from March 2015 to June 2020, and has been re-designated as its non-executive director since June 2020. Ms. Ni has been an independent director of Ucloudlink Group, Inc., a company listed on Nasdaq (ticker symbol: UCL) since June 2020, an independent non-executive director of Digital China Holdings Limited, a company listed on the Stock Exchange (stock code: 861) since September 2010, and an independent director and audit committee chairman of ATA Creativity Global, a company listed on Nasdaq (ticker symbol: ATAI) since January 2008. Ms. Ni served as an independent director of JA Solar Holdings, Co. Ltd., a company listed on Nasdaq (ticker symbol: JASO) from August 2009 to July 2018, an independent director of KongZhong Corporation, a company formerly listed on Nasdaq from January 2007 to March 2017, and a director of ATA Online (Beijing) Education Technology Co., Limited, a company formerly listed on NEEQ (stock code: 835079), from July 2015 to August 2018. Ms. Ni was the chief financial officer and director of Viewtran Group, Inc. from August 2004 to January 2008 and subsequently served as its vice chairman until early 2009. Prior to joining Viewtran Group, Inc., Ms. Ni spent six years serving as a practicing attorney at Skadden, Arps, Slate, Meagher & Flom LLP in New York and Hong Kong, specializing in corporate finance. Prior to that, Ms. Ni worked at Merrill Lynch's investment banking division in New York.

Ms. Ni obtained her bachelor's degree in applied economics from Cornell University in the United States in May 1994 and her Juris Doctor degree from the University of Pennsylvania in the United States in May 1998. Ms. Ni was admitted to the New York bar in 1999.

Ms. Kin Yee POON (潘建而), aged 49, was appointed as an independent non-executive Director on January 29, 2021 (effective from the Listing Date) and is responsible for providing independent advice and judgment to our Board.

Ms. Poon has over 26 years of experience in accounting, auditing and corporate finance services. Ms. Poon currently serves as the executive director – corporate finance of BaoQiao Partners Capital Limited (寶橋融資有限公司), a subsidiary of Fullshare Holdings Limited, a company listed on the Stock Exchange (stock code: 607). Prior to joining BaoQiao Partners Capital Limited, Ms. Poon was employed by Ares Asia Limited, where she was the chief accounting officer and company secretary of Ares Asia Limited, a company listed on the Stock Exchange (stock code: 645) from September 2011 to October 2013 and March 2013 to March 2014, respectively. Ms. Poon worked at Ernst & Young from September 1995 to January 1998.

Ms. Poon obtained her bachelor's degree in finance from the Hong Kong University of Science and Technology in November 1995. She has been a member of the American Institute of Certified Public Accountants since August 2000 and is licensed as a responsible officer by the Securities and Futures Commission for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

SENIOR MANAGEMENT

Ms. Jing LI (李靜), see the paragraph headed "Biographies of Directors and Senior Management – Executive Directors" in this section for details.

Dr. Ulrich Reinhold SPECK, aged 81, is appointed as the chief technology officer of our Company on January 29, 2021 and has been the chief technology officer of our Group since October 3, 2020 and is responsible for directing and overseeing experimental and clinical research and technology development of the Group.

Dr. Speck has over 50 years of experience in academic and clinical research in biochemistry, physiology, and drugs. He worked as a lecturer in Biology in The Free University of Berlin in 1972. From 1978 to 1999, Dr. Speck worked in various positions in Schering AG Berlin, a German pharmaceutical company, including as the head of the department pharmacokinetics and contrast media pharmacology, the managing director in research in Institute for Diagnostics Research (a research lab owned by Schering AG Berlin in The Free University of Berlin), and the head of contrast media pharmacology. Dr. Speck returned to the academia in 2000 as a professor in experimental radiology at the Charité, the university hospital affiliated with Humboldt University and The Free University of Berlin. In 2001, Dr. Speck co-founded InnoRa GmbH, a company that organizes and funds complex research projects which require interdisciplinary cooperation involving companies, universities, hospitals and research organizations. Dr. Speck was managing director and independent legal representative of InnoRa GmbH from January 14, 2002 to January 18, 2017.

Dr. Speck obtained his Ph.D. in Biology (Chemistry, Physics) from The Free University of Berlin in Germany in July 1967. Dr. Speck has contributed to a large volume of research articles on research areas such as contrast media, laser light tumor ablation and restenosis inhibition and holds around a dozen of patents in relation to drug-coated balloon catheter and sirolimus coated balloon since 2000. As of the date of this annual report, no intellectual property rights that are material to our Group (including those relating to the Core Products) was filed and/or owned by Mr. Speck. For our material patents, please refer to the paragraphs headed "Management Discussion and Analysis – Business Overview – Intellectual Property Rights" in this prospectus.

Mr. Silvio Rudolf SCHAFFNER, see the paragraph headed "Biographies of Directors and Senior Management – Executive Directors" in this section for details.

Ms. Hui ZHANG (張慧), aged 45, is appointed as the vice-president of marketing and sales of our Company on January 29, 2021 and has been the vice-president of marketing and sales of Beijing Acotec since March 2017. She was the director in overall marketing and sales of the Group from September 2015 to March 2017.

Ms. Zhang has 15 years of experience in the medical devices industry. Prior to joining the Group, she was the national sales manager of peripheral vascular business unit of Medtronic plc, a medical device company listed on the New York Stock Exchange (ticker symbol: MDT) from April 2009 to August 2014 and the marketing director of Cardiac Rhythm Management business unit of Boston Scientific Corporation, a medical devices manufacturer listed on the New York Stock Exchange (ticker symbol: BSX) from February 2015 to September 2015.

Ms. Zhang obtained her bachelor's degree in clinical medicine from the Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院) in Wuhan, the PRC in June 1999, her post-doctorate degree in cardiovascular science in Baylor College of Medicine in Texas, the United States in July 2007 and her master's degree in business administration from China Europe International Business School in Shanghai, the PRC in April 2009.

Ms. Weijia LI (李維佳), aged 44, is appointed as the vice-president of clinical and regulations of our Company on January 29, 2021 and has been the vice-president of clinical and regulations of Beijing Acotec since March 2017.

Ms. Li has over 19 years of experience in the medical devices industry. Ms. Li was a director and manager in the Group from December 2010 to March 2018, before she was promoted as vice-president of clinical and regulations. Prior to joining the Group, she worked in Invatec (a company which develops and manufactures cardiac, peripheral and neurointerventional devices and was subsequently acquired by Medtronic plc, a medical device company listed on the New York Stock Exchange (ticker symbol: MDT)) from August 2008 to December 2010.

Ms. Li obtained her bachelor's degree in bio-pharmacy and her master's degree in microbiology and pharmacy from Jilin University in Changchun in the PRC in July 2000 and June 2002, respectively.

Report of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended December 31, 2021.

PRINCIPAL BUSINESS

We are a global leading medical device technology platform in China. We have developed a suite of interventional medical devices featuring world-leading technologies, notably in the fields of drug-coated balloons (DCB) and thrombus aspiration catheters. We developed and launched the first peripheral DCB product in China in 2016, approximately four years ahead of the closest runner-up. Our second DCB product was designated as a "breakthrough device" by the FDA in 2019 as it provides for more effective treatment in irreversibly debilitating human conditions and offers significant advantages over existing approved or cleared alternative medical devices. The designation also indicates that the product represents breakthrough technology and its availability is in the best interest of patients. After the designation, the product was entitled to an expedited process of the development, assessment, and review by the FDA. The product also obtained the NMPA approval in December 2020, making it the world's first below-the-knee (BTK) DCB product receiving regulatory approval based on multi-center randomized controlled clinical trial results. Our DCB products feature one of the most advanced drug-coating technologies among all the DCB products worldwide, and had demonstrated good clinical performance based on the results of the clinical trials conducted by us for such products.

In 2021, we carried out in-depth investigations and discussion in respect of artery calcification, vein market and vascular aneurysm and we started to prepare for our business presence in these sectors. For peripheral aspiration system, our products under the peripheral thrombus aspiration system have all been launched, which made us become the first Chinese enterprise possessing originated technologies and ability to provide comprehensive solution in such sector. As of December 31, 2021, we have developed six new products, including peripheral IVL system (vascular surgery), peripheral coil (vascular surgery) and coronary IVL system (cardiology). The progress of production development has been advancing in an extremely quick pace. With a view to enhance our capacity of manufacture, our facility in Shenzhen, with approximately 2,400 sq.m., successfully obtained the ISO 13485 certificate qualification and ability to supply the tubes for manufacturing balloon catheters in 2021.

RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated financial statements on pages 95 to 168 of this annual report.

DIVIDENDS DISTRIBUTION

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. Moreover, our operating subsidiaries in the PRC may not have distributable profit as determined under the Generally Accepted Accounting Principles of the PRC (the "**PRC GAAP**"). Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our operating subsidiaries to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2021 (2020: nil).

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Thursday, May 26, 2022. The notice of the AGM will be published and dispatched to the Shareholders in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, May 23, 2022 to Thursday, May 26, 2022, both days inclusive, during which period no transfer of Shares will be registered. The record date for entitlement to attend and vote at the AGM is Thursday, May 26, 2022. In order to be qualified to attend and vote at the AGM, all completed transfers forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, May 20, 2022.

BUSINESS REVIEW

A fair review of the business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position as well as the outlook of the Group's business are provided in the "Management Discussion and Analysis" this annual report. Description of the principal risks and uncertainties faced the Group can be found throughout this annual report. Particulars of important events affecting the Group that have occurred after December 31, 2021, if any, can also be found in the notes to the consolidated financial statements. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties. Some of the major risks we face include: (i) our future growth depends substantially on the successful development of our product candidates to commercialization; (ii) clinical product development involves a lengthy and expensive process with an uncertain outcome; (iii) if clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results in a timely manner or at all, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates; and (iv) if physicians and hospitals are not receptive to our products, our results of operations may be negatively affected. For more details of other risks and uncertainties faced by the Group, please refer to the Prospectus.

FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last three financial years are set out on page 169 of this annual report. This summary does not form part of the audited consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has actively participated in sustainability and social responsibility and recognises its responsibility to protect the environment from its business activities. The Group endeavours to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group during the year ended December 31, 2021.

RELATIONSHIP WITH STAKEHOLDERS

Employees

As of the date of this annual report, we had 362 employees in total. Most of them are stationed in China.

We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We provide training for our management staff and other employees to upgrade their skills and knowledge continuously. We provide our employees with regular feedback as well as internal and external training in various areas, such as product knowledge, project development and team building. We also assess our employees based on their performance to determine their salary, promotion and career development.

We have implemented various internal occupational health and safety procedures to maintain a safe work environment, including adopting protective measures at our production facilities, inspecting our equipment and facilities regularly to identify and address safety hazards, and providing regular training to our employees on safety awareness.

As of December 31, 2021, our employees were represented by a labor union under Beijing Acotec. We believe that we have maintained good working relationships with our employees. During the year ended December 31, 2021, we were not subject to any material claims, lawsuits, penalties or administrative actions relating to non-compliance with occupational health and safety laws or regulations, and had not experienced any strikes, labor disputes or industrial actions which have had a material effect on our business.

Customers

During the year ended December 31, 2021, we derived substantially all of our revenues from the sale of our DCB products.

We have maintained a good collaboration relationship with each of the platform distributors we cooperated with, particularly the two platform distributors under Sinopharm Group. Our Directors believe that with our dominating market share in the peripheral DCB market in China, we have strong bargaining power, and most, if not all, of the platform distributors and sub-distributors in the industry have strong incentives to maintain good relationship with us. We believe that our close relationship with Sinopharm Group is mutually beneficial to both parties, and it is unlikely that our relationship with the two platform distributors under Sinopharm Group will materially adversely change or terminate in the near future. To mitigate our reliance on Sinopharm Group in the future, we have been diversifying our product portfolio. As our pipeline products progress to commercialization, we may consider engaging other platform distributors for the distribution of these products, after evaluating, among others, the relevant platform distributors' qualifications, industry experience and distribution networks.

We sell products to hospitals or medical centers directly or through distributors and platform distributors. As of December 31, 2021, we cooperated with 23 distributors and four platform distributors for the sales of our products to hospitals and medical institutions in China. We also cooperated with nine distributors for the sales of our products overseas. As of December 31, 2021, we directly sold our products to two hospitals in China and five hospitals overseas.

For the year ended December 31, 2021, the Group's sales to its five largest customers accounted for 91.2% of the Group's total sales and sales to the largest customer accounted for 74.6%.

All of our five largest customers during the year ended December 31, 2021 are Independent Third Parties. So far as our Directors are aware, none of our Directors or executive officers of our Company or its subsidiaries, their respective associates or any Shareholders of our Company holding more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering, had any interests in any of our five largest customers during the year ended December 31, 2021 and up to the date of this annual report.

Suppliers

During the year ended December 31, 2021, our suppliers mainly include research institutions, raw material suppliers, technology developers and property management service providers.

For our DCB products and PTA balloon products, we primarily use raw materials including balloons, lumen tubes, marker bands, etc.

We select our raw material suppliers based on a number of factors, including the quality of raw materials, after-sales service and price. We use reputable suppliers from China and other countries. Based on the current market conditions, we intend to maintain stable working relationships with our major suppliers of raw materials.

For the year ended December 31, 2021, purchases from the Group's five largest suppliers accounted for 22.0% of the Group's total purchases and purchases from the largest supplier accounted for 6.5%.

All of our five largest suppliers during the year ended December 31, 2021 are Independent Third Parties. So far as our Directors are aware, none of our Directors or executive officers of our Company or its subsidiaries, their respective associates or any Shareholders of our Company holding more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering, had any interests in any of our five largest suppliers during the year ended December 31, 2020 and up to the date of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2021 are set out in note 30 to the consolidated financial statements.

As at December 31, 2021, the issued share capital of the Company was 313,389,171 Shares.

RESERVES

Details of movements in the reserves of the Group during the year ended December 31, 2021 are set out in the consolidated statement of changes in equity on pages 98 to 99 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2021, we did not have any distributable reserves.

BANK BORROWINGS

Particulars of bank borrowings of the Company as at December 31, 2021 are set out in note 29 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2021 are set out in note 15 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report and based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company during the year ended December 31, 2021 and up to the date of this annual report are set out below:

Name	Position in the Company	Appointment date of current term
Directors		
Ms. Jing LI	Chairperson of the Board, Executive Director and chief executive officer	December 3, 2020
Mr. Silvio Rudolf SCHAFFNER	Executive Director and chief operating officer	December 3, 2020
Mr. Ke TANG	Non-executive Director	December 3, 2020
Mr. Chen CHEN	Non-executive Director	December 3, 2020
Dr. Yuqi WANG	Independent Non-executive Director	January 29, 2021 (effective from the Listing Date)
Ms. Hong NI	Independent Non-executive Director	January 29, 2021 (effective from the Listing Date)
Ms. Kin Yee POON	Independent Non-executive Director	January 29, 2021 (effective from the Listing Date)
Senior management		
Ms. Jing LI	Chief executive officer	March 10, 2017
Dr. Ulrich Reinhold SPECK	Chief technology officer	October 3, 2020
Mr. Silvio Rudolf SCHAFFNER	Chief operating officer	March 10, 2017
Ms. Hui ZHANG	Vice-president of marketing and sales	March 10, 2017
Ms. Weijia LI	Vice-president of clinical and regulations	March 10, 2017

To the best of the Board's knowledge, information and belief, save as disclosed in this annual report, the Directors and senior management do not have any relationship amongst them.

In accordance with articles 16.2 and 16.19 of the Articles of Association, Ms. Jing LI, Mr. Silvio Rudolf SCHAFFNER, Mr. Ke TANG, Mr. Chen CHEN, Dr. Yuqi WANG, Ms. Hong NI and Ms. Kin Yee POON will retire by rotation, and being eligible, have offered themselves for re-election as Directors at the AGM.

None of the retiring Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

Biographical details of the Directors and senior management are set out on pages 27 to 32 of this annual report.

SERVICE AGREEMENTS OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than 30 days' notice in writing served by either the executive Director or the Company.

Each of the non-executive Directors has entered into a service contract with the Company under which they agreed to act as non-executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than 30 days' notice in writing served by either the non-executive Directors or the Company.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than 30 days' notice in writing served by either the independent non-executive Director or the Company.

The appointment of Directors is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors has or is proposed to have a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent and remain so as of the date of this annual report.

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

As at December 31, 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Total number of Shares/underlying Shares held[1]	Approximate percentage of shareholding interest in the Company (%)[1]
Ms. Jing LI ("**Ms. Li**")	Controlled corporation[2]	55,291,087 (L)	17.64%
Mr. Silvio Rudolf SCHAFFNER	Beneficial owner	4,272,065 (L)	1.36%

Notes:

(1) As at December 31, 2021, the Company had issued 313,389,171 Shares in total. The letter "L" denotes the person's long position in the Shares.

(2) Cosmic Elite Holdings Limited is a subsidiary owned as to 95.31% by Nexus Partners Group Limited. Nexus Partners Group Limited is wholly owned by Vistra Trust (Singapore) Pte. Limited (as the trustee of Joy Avenue Family Trust). The voting rights attached to the Shares held by Sino Fame Ventures Limited ("**Sino Fame**") are vested with Ms. Li. Therefore, Ms. Li is deemed to be interested in the 43,062,647 Shares held by Cosmic Elite Holdings Limited and 12,228,440 Shares held by Sino Fame under the SFO.

Save as disclosed above, as at December 31, 2021, none of the Directors of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under Section 352 of the SFO, 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 AND UNDERLYING SHARES

As at December 31, 2021, to the best knowledge of the Directors or chief executives of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held[1]	Approximate percentage of shareholding interest in the Company (%)[1]
CA Medtech Investment (Cayman) Limited ("**CA Medtech**")[2]	Beneficial owner	158,614,642 (L)	50.61%
CA Medtech Investment II Limited ("**CA Medtech II**")[2]	Interest in controlled corporation	158,614,642 (L)	50.61%
CA Medtech Investment III Limited ("**CA Medtech III**")[2]	Interest in controlled corporation	158,614,642 (L)	50.61%
CPEChina Fund III, L.P. ("**CPEChina Fund III**")[2]	Interest in controlled corporation	161,877,642 (L)	51.65%
CPE Funds III Limited ("**CPE Funds III**")[2]	Interest in controlled corporation; interest jointly held with another person	161,877,642 (L)	51.65%
CPE Holdings Limited [2]	Interest in controlled corporation	161,877,642 (L)	51.65%
CPE Holdings International Limited[2]	Interest in controlled corporation	161,877,642 (L)	51.65%
CPE Global Opportunities Fund, L.P. ("**CPE Global Opportunities Fund**")[2]	Interest in controlled corporation	161,877,642 (L)	51.65%
CPE GOF GP Limited ("**CPE GOF**")[2]	Interest in controlled corporation; interest jointly held with another person	161,877,642 (L)	51.65%
Cosmic Elite Holdings Limited ("**Cosmic Elite**")[3]	Beneficial owner	43,062,647 (L)	13.74%
Nexus Partners Group Limited[3]	Interest in controlled corporation	43,062,647 (L)	13.74%
Vistra Trust (Singapore) Trustee Pte. Limited[3]	Trustee	43,062,647 (L)	13.74%

Notes:

(1) As at December 31, 2021, the Company had issued 313,389,171 Shares in total. The letter "L" denotes the person's long position in the shares.

(2) CA Medtech is wholly-owned by CA Medtech II and CA Medtech III, a subsidiary owned as to approximately 85.61% by CPEChina Fund III, an exempted limited partnership registered in the Cayman Islands, whose general partner is CPE Funds III, and as to approximately 14.39% by CPE Global Opportunities Fund, an exempted limited partnership registered in the Cayman Islands, whose general partner is CPE GOF. CPE Funds III and CPE GOF could jointly control the exercise of the voting power held by CA Medtech. CPE Funds III is a wholly-owned subsidiary of CPE Holdings Limited, which is in turn wholly owned by CPE Holdings International Limited. CPE Holdings International Limited is owned by a number of shareholders that are natural persons, each holding less than 10% in CPE Holdings International Limited. CPE Investment Wu Limited held 3,263,000 Shares of the Company. CPE Investment Wu Limited is held as to 85.16% by CPEChina Fund III and 14.39% by CPE Global Opportunities Fund.

(3) Cosmic Elite is a subsidiary owned as to 95.31% by Nexus Partners Group Limited. Nexus Partners Group Limited is wholly-owned by Vistra Trust (Singapore) Pte. Limited (as the trustee of Joy Avenue Family Trust). The voting rights attached to the Shares held by Sino Fame are vested with Ms. Li. Therefore, Ms. Li is deemed to be interested in the 43,062,647 Shares held by Cosmic Elite and 12,228,440 Shares held by Sino Fame under the SFO.

Save as disclosed above, as at December 31, 2021, the Company had not been notified by any other persons (other than the Directors of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

ISSUANCE OF DEBENTURES

During the year ended December 31, 2021, no issuance of debentures was made by the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

To the knowledge of the Board, none of the Directors or their associates had any interests in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended December 31, 2021.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Company during the year ended December 31, 2021 are set out in note 39 to the consolidated financial statements.

During the year ended December 31, 2021, none of the related party transactions listed in note 39 to the consolidated financial statements constituted a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules and the Group had not entered into any connected transaction which was required to be disclosed under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significance in relation to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended December 31, 2021 or at the end of the year ended December 31, 2021.

CONTRACT OF SIGNIFICANCE

No contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries during the year ended December 31, 2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2021 between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the Directors and officers of the Company and its associated companies during the year ended December 31, 2021 as at the date of this annual report.

Except for such insurances, at no time during the year and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company or associated companies.

STAFF, EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

Our Directors' remuneration is determined with reference to the relevant Director's experience and qualifications, level of responsibility, performance and the time devoted to our business, and the prevailing market conditions.

In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. The remuneration package of our employees includes salary and bonus, which are generally based on their qualifications, industry experience, position and performance. We consider the remuneration package of our employees to be competitive among our domestic competitors. We, by ourselves or through third-party human resource agencies, make contributions to social insurance and housing provident funds for our employees as required by the applicable PRC laws and regulations, and did not have any material non-compliance in this regard during the year ended December 31, 2021.

The Remuneration Committee was set up for reviewing the Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

Details of the emoluments of the Directors and five highest paid individuals for the year ended December 31, 2021 are set out in note 12 to the consolidated financial statements.

The table below shows the emolument of senior management by band for the year ended December 31, 2021:

Emoluments bands in Hong Kong Dollars ("HK$")	Number of Individuals
Nil to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	–
HK$2,000,001 to HK$2,500,000	–
HK$3,000,001 to HK$3,500,000	–
HK$6,500,001 to HK$7,000,000	–
HK$8,500,001 to HK$9,000,000	1
HK$9,000,001 to HK$9,500,000	1

RESTRICTED SHARE UNIT SCHEME

On January 8, 2021, the Board has approved the restricted share unit scheme (the "**RSU Scheme**") and issued 12,228,440 ordinary shares to Sino Fame Ventures Limited, which was established for the purpose of holding shares for granting to the employees.

No restricted share units ("**RSU(s)**") were granted, vested, cancelled or lapsed under the RSU Scheme during the year ended December 31, 2021. No RSUs were outstanding under the RSU Scheme as at December 31, 2021.

(a) Purpose of the RSU Scheme

The purpose of the RSU Scheme is to recognise and motivate the contributions the grantees under the RSU Scheme (the "**Grantee(s)**"), provide incentives for them to remain with the Company, and attract suitable personnel for our further development.

An award of RSUs under the RSU Scheme ("**Award(s)**") gives a Participant (defined as below) a conditional right upon the vesting of the Award to obtain either shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Remuneration Committee in its absolute discretion.

The RSU Scheme shall be valid and effective for period of ten years commencing on the adoption date of the RSU Scheme, after which period no further Awards will be granted. In spite of this, the RSU Scheme in all other respects remain in full force and effect and Awards that are granted during the period may continue to be exercisable in accordance with their terms of issue.

(b) Participants of the RSU Scheme

Participants of the RSU Scheme (the "**Participants**") include the following:

(i) the employees or officers (including executive, non-executive and independent non-executive directors of the Group);

(ii) any person or entity (including but not limited to consultants engaged by the company services to the Group) that provides research, development, consultancy and other technical or operational or administrative support to the Group; and

(iii) any other persons including former employees who, in the sole opinion of the Remuneration Committee of the Company, have contributed or will contribute to the Company or any of its subsidiaries.

(c) Total number of securities available for issue under the RSU Scheme

Number of shares that may be delivered under the RSU Scheme are 12,228,440 shares of the Company that are held by Sino Fame Ventures Limited, a nominee shareholder on trust for the RSU Scheme.

(d) Vesting terms

Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each Award, the RSU(s) granted in an Award shall be subject to a vesting period (if any) and/or the satisfaction of performance and/or other conditions (if any) to be determined by the Remuneration Committee in its absolute discretion. If such conditions are not satisfied, the vesting date of the RSU(s) shall be postponed for one year. If the vesting terms and conditions of the postponed RSU(s) are not satisfied at the postponed vesting date, the RSU(s) shall automatically lapse. Upon fulfillment or waiver of the vesting period and vesting criteria (if any) applicable to a Grantee, a vesting notice shall be sent to the Grantee by the Remuneration Committee, or by any other means the Remuneration Committee so determines in its sole discretion from time to time, confirming (a) the extent to which the vesting period and conditions have been fulfilled or waived, and (b) the number of shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive.

SHARE AWARD SCHEME

The Company adopted the share award scheme (the "**Share Award Scheme**") on December 31, 2021 (the "**Adoption Date**"). Our Company appointed TRIDENT TRUST COMPANY (HK) LIMITED as the trustee of the Share Award Scheme to administer the Share Award Scheme with respect to the grant of any award by the Board (an "**Award**") which may vest in the form of Shares ("**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Share Award Scheme.

(a) Purpose of the Share Award Scheme

The purpose of the Share Award Scheme is to recognize the contributions by the Selected Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group.

(b) Administration of the Share Award Scheme

The Share Award Scheme shall be subject to the administration of the Board or an Authorized Person (as the case may be) in accordance with the Share Award Scheme Rules and, where applicable, the Trust Deed. A decision of the Board or an Authorized Person (as the case may be) shall be final and binding on all persons affected thereby.

The Board has the power to administer the Share Award Scheme. The Board or an Authorized Person may from time to time appoint one or more administrators to assist in the administration of the Share Award Scheme.

(c) Grant of Award

The Board or an Authorized Person (as the case may be) may, from time to time, select any Eligible Person to be a Selected Participant and, subject to the Share Award Scheme Rules, grant an Award to such Selected Participant during the Award Period. In determining the Selected Participants, the Board or an Authorized Person (as the case may be) may take into consideration matters including the present and expected contribution of the relevant Selected Participant to the Group.

Where any grant of Award Shares is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with the relevant provisions of the Listing Rules.

No grant of any Award Shares to any Selected Participant may be made:

(i) in any circumstances where the requisite approval from any applicable regulatory authorities has not been granted;

(ii) in any circumstances that any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the Share Award Scheme, unless the Board or an Authorized Person (as the case may be) determines otherwise;

(iii) where such Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction; and

(iv) where such grant of Award would result in a breach of the Share Award Scheme Limit.

and any such grant so made shall be null and void to the extent that it falls within the circumstances above.

(d) Timing of Awards

No Award shall be made to Selected Participants and no directions or recommendation shall be given to the Trustee with respect to a grant of an Award under the Share Award Scheme:

(i) where any Director is in possession of unpublished inside information (as defined in the SFO) in relation to the Company or where dealings by Directors are prohibited under any code or requirement of the Listing Rules or any applicable laws, rules or regulations;

(ii) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results of the Company; and

(iii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results of the Company.

In respect of the administration of the Share Award Scheme, the Company shall comply with all applicable disclosure regulations including those imposed by the Listing Rules.

(e) Maximum Number of Shares to be Granted

The total number of Award Shares made pursuant to the Share Award Scheme shall not exceed 10% of the total number of issued Shares as at the Adoption Date.

(f) Satisfaction of Awards

To satisfy the Award, the Company shall transfer to the Trust the necessary funds and instruct the Trustee to acquire Shares through on-market transactions at the prevailing market price. The Company shall not instruct the Trustee to acquire Shares through on-market transactions at the prevailing market price, where such action (as applicable) is prohibited under the Listing Rules, the SFO or other applicable laws from time to time.

(g) Vesting of Award Shares

For the purposes of vesting of the Award, the Board or an Authorized Person (as the case may be) may either:

(i) direct and procure the Trustee to release from the Trust the Award Shares to the Selected Participants by transferring the number of Award Shares to the Selected Participants in such manner as determined by them from time to time; or

(ii) to the extent that, at the determination of the Board or an Authorized Person (as the case may be), it is not practicable for the Selected Participant to receive the Award in Shares solely due to legal or regulatory restrictions with respect to the Selected Participant's ability to receive the Award in Shares or the Trustee's ability to give effect to any such transfer to the Selected Participant, the Board or an Authorized Person (as the case may be) will direct and procure the Trustee to sell, by on-market transactions at the prevailing market price, the number of Award Shares so vested in respect of the Selected Participant and pay the Selected Participant the Actual Selling Price of such Award Shares in cash arising from such sale based on the number of Award Shares.

(h) Lapse and Forfeiture of Award

In the event that a Selected Participant does not satisfy the conditions/criteria set out in the award letter issued to such Selected Participant, and the Award does not vest, the Award shall lapse and the Award Shares shall be deemed to be Returned Shares.

If a Selected Participant ceases to be an Eligible Person by reason of retirement of the Selected Participant, any outstanding Award Shares not yet vested shall continue to vest in accordance with the Vesting Date set out in the award letter, unless the Board or an Authorized Person (as the case may be) determines otherwise at its absolute discretion.

If a Selected Participant ceases to be an Eligible Person by reason of (i) death of the Selected Participant, (ii) termination of the Selected Participant's employment or contractual engagement with the relevant member of the Group by reason of his/her permanent physical or mental disablement, (iii) termination of the Selected Participant's employment or contractual engagement with the relevant member of the Group by reason of redundancy, any outstanding Award Shares not yet vested shall be immediately forfeited, unless the Board or an Authorized Person (as the case may be) determines otherwise at its absolute discretion.

If a Selected Participant, being an Employee whose employment is terminated by the relevant member of the Group by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the Selected Participant having been convicted of any criminal offence involving his or her integrity or honesty, any outstanding Award Shares not yet vested shall be immediately forfeited, unless the Board or an Authorized Person (as the case may be) determines otherwise at its absolute discretion.

If a Selected Participant is declared bankrupt or becomes insolvent or makes any arrangements or composition with his or her creditors generally, any outstanding Award Shares not yet vested shall be immediately forfeited, unless the Board or an Authorized Person (as the case may be) determines otherwise at its absolute discretion.

If a Selected Participant ceases to be an Eligible Person for reasons other than those set out above, any outstanding Award Shares not yet vested shall be immediately forfeited, unless the Board or an Authorized Person (as the case may be) determines otherwise at its absolute discretion.

(i) Assignment of Award

Any Award granted under the Share Award Scheme but not yet vested shall be personal to the Selected Participant and cannot be assigned or transferred and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any such Award, or enter into any agreement to do so.

(j) Voting Rights

Neither the Selected Participant nor the Trustee may exercise any of the voting rights in respect of any Award Shares that have not yet vested.

(k) Dividend

A Selected Participant shall have no right to any dividend of the Shares subject to the Award that is granted to him or her and that has not vested or any of the Returned Shares or any dividend of the Returned Shares, all of which shall be retained by the Trustee for the benefit of the Share Award Scheme.

(l) Alteration of the Share Award Scheme

Subject to compliance with the Articles of Association of the Company, all applicable laws, rules and regulations, the Share Award Scheme may be altered in any respect by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any Selected Participant unless otherwise provided for in the Share Award Scheme Rules.

(m) Termination

Unless terminated earlier as determined by the Board, the Share Award Scheme shall be valid and effective for the Award Period (after which no further Awards will be granted), and thereafter for so long as there are any non-vested Award Shares granted hereunder prior to the expiration of the Share Award Scheme, in order to give effect to the vesting of such Award Shares or otherwise as may be required in accordance with the provisions of the Share Award Scheme Rules.

Following the settlement, lapse, forfeiture or cancellation (as the case may be) of the last outstanding Award made or can be made under the Share Award Scheme, the Trustee shall sell all the Shares remaining in the Trust within a reasonable time period as agreed between the Trustee and the Company upon receiving notice of the settlement, lapse, forfeiture or cancellation (as the case may be) of such last outstanding Award (or such longer period as the Company may otherwise determine), and remit all cash and net proceeds of such sale and other funds remaining in the Trust (after making appropriate deductions in respect of all disposal costs, expenses and other existing and future liabilities in accordance with the Trust Deed) to the Company.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended December 31, 2021.

CHARITABLE DONATIONS

The donations made by the Group during the year ended December 31, 2021 amounted to RMB130,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2021, except for the Global Offering in connection with the Listing, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM LISTING

The Shares of the Company were listed on the Main Board of the Stock Exchange on August 24, 2021 by way of Global Offering, and the total net proceeds (the "**Net Proceeds**") received by the Company from the Global Offering amounted to approximately RMB1,294 million after deducting professional fees, underwriting commissions and other related listing expenses.

The intended uses and the balance of the Net Proceeds as at December 31, 2021 are set out below:

Intended use of proceeds as stated in the Prospectus	Percentage to total amount %	Net proceeds RMB'000	Utilised amount as at December 31, 2021 RMB'000	Unutilised amount as at December 31, 2021 RMB'000	Expected timeline for unutilized amount
Development and commercialization of our Core Products	32	414,067	33,705	380,362	Year 2027
Development and commercialization of other 24 products	23	297,611	40,425	257,186	Year 2024
Expand our production capacity and strengthen our manufacturing capabilities	7	90,577	852	89,725	Year 2023
Expand our product portfolio through in-house research and development, collaboration, mergers and acquisitions, in-licensing or equity investments	24	310,550	–	310,550	Year 2024
Working capital and other general corporate purposes	8	103,517	–	103,517	Year 2025
Repay the Loan	6	77,638	77,638	–	N/A
Total	**100**	**1,293,960**	**152,619**	**1,141,341**	

The Group will utilise the Net Proceeds in accordance with the intended purposes as set out in the Prospectus. The Board is not aware of any material change to the planned use of the Net Proceeds as at the date of this annual report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 50 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company, together with the management and the external auditor, had reviewed the accounting policies and practices adopted by the Group as well as the internal control matters, and had also reviewed the Group's consolidated financial statements for the year ended December 31, 2021.

AUDITOR

The consolidated financial statements of the Group for the ended December 31, 2021 have been audited by Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the AGM.

On behalf of the Board
Ms. Jing LI
Chairperson of the Board

Hong Kong, March 29, 2022

Corporate Governance Report

The Board is pleased to present this corporate governance report in this annual report (the "**Corporate Governance Report**").

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value and accountability.

Since the shares of the Company were listed on the Main Board of The Stock Exchange on August 24, 2021, the Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and complied with the applicable code provisions throughout the period from the Listing Date to the date of this annual report, save for deviation from code provisions C.2.1, C.5.1 and F.1.1 as disclosed below.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interest of the Company.

The Board has delegated the authority and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

The Board regularly reviews the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises seven Directors, consisting of two executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

Name	Position in the Company
Ms. Jing LI	Chairperson of the Board, Executive Director and chief executive officer
Mr. Silvio Rudolf SCHAFFNER	Executive Director and chief operating officer
Mr. Ke TANG	Non-executive Director
Mr. Chen CHEN	Non-executive Director
Dr. Yuqi WANG	Independent Non-executive Director
Ms. Hong NI	Independent Non-executive Director
Ms. Kin Yee POON	Independent Non-executive Director

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report and the relationships between the Directors are disclosed in the respective Director's biography.

Save as disclosed in this annual report, to the best knowledge of the Company, there are no financial, business, family or other material relationships among members of the Board.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. According to the current structure of the Board, the positions of the Chairperson and Chief Executive Officer of the Company are held by Ms. Jing LI.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of seven Directors, and the Board believes there is sufficient check and balance on the Board, (ii) Ms. Jing LI and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions of the Group accordingly, and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Ms. Jing LI is our principal founder, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Independent Non-executive Directors

Since the Listing Date to the date of this annual report, the Board has at all times fulfilled the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, which are subject to termination in accordance with their respective terms.

Each of the non-executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, which are subject to termination in accordance with their respective terms.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date and shall be subject to retirement by rotation once every three years.

All Directors will hold office subject to provision of retirement and rotation of directors under the Articles of Association. Pursuant to the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall be subject to retirement by rotation at least once every three years. Any Director required to stand for re-election pursuant to Article 16.2 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2021, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended December 31, 2021 are summarised as follows:

Name of Directors	Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/or corporate governance	Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/or corporate governance
Executive Directors		
Ms. Jing LI	✓	✓
Mr. Silvio Rudolf SCHAFFNER	✓	✓
Non-Executive Directors		
Mr. Ke TANG	✓	✓
Mr. Chen CHEN	✓	✓
Independent Non-Executive Directors		
Dr. Yuqi WANG	✓	✓
Ms. Hong NI	✓	✓
Ms. Kin Yee POON	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, each of which has been delegated responsibilities and reports back to the Board. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code where applicable. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises three members, including two independent non-executive Directors, namely Ms. Kin Yee POON and Dr. Yuqi WANG and one non-executive Director, namely Mr. Chen CHEN. Ms. Kin Yee POON is the chairperson of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, provide advice and comments to the Board and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the period from the Listing Date and up to the date of this annual report, the Audit Committee held three meetings to discuss interim results for the six months ended June 30, 2021, annual results for the year ended December 31, 2021, audit plan for the year 2021, significant issues on the financial reporting, operational and compliance controls, effectiveness of the risk management and internal control systems and internal audit function.

The Audit Committee considers that the annual financial results for the year ended December 31, 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit Committee also met the external auditors once without the presence of the executive Directors.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Dr. Yuqi WANG and Ms. Hong NI and one executive Director, namely Ms. Jing LI. Dr. Yuqi WANG is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management; establishing a formal and transparent procedure for developing remuneration policy to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the period from the Listing Date and up to the date of this annual report, the Remuneration Committee held two meetings to review the remuneration policy and structure of the Company and assessed the performance and remuneration packages of the Directors and senior management, and made recommendations to the Board, where appropriate.

Nomination Committee

The Nomination Committee comprises three members, including two independent non-executive Directors, namely Dr. Yuqi WANG and Ms. Hong NI and one executive Director, namely Ms. Jing LI. Dr. Yuqi WANG is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and diversity required of the Board annually and making recommendations on any proposed change to the Board to complement the Company's corporate strategy; monitoring the implementation of diversity policy for board members, and assessing the independence of independent non-executive Directors.

During the period from the Listing Date and up to the date of this annual report, the Nomination Committee held two meetings to discuss the nomination and appointment matters of Directors, and review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

In accordance with the Articles of Association, Directors shall be elected by the general meeting with a term of three years and may serve consecutive terms if re-elected. Any person appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next general meeting of the Company, and shall then be eligible for re-election.

At the expiry of a Director's term, the Director may stand for re-election and reappointment for further term. Subject to the compliance of the provisions of the relevant laws and administrative regulations, the general meeting of the Shareholders may dismiss by ordinary resolution any Directors of whom the term of office has not expired (the claim for compensation under any contracts shall however be not affected).

The procedures for the appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee will identify individuals suitably qualified to become directors and make recommendations to the Board on the selection of individuals. The Nomination Committee will determine the composition of board members based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will also make recommendations to the Board of Directors on the appointment or re-appointment of directors and succession planning for directors (in particular the Chairman of the Board of Directors and the general manager), taking into account the Company's corporate strategy and mix of skills, knowledge, experience and diversity needed in the future.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the basic principles to be followed to ensure that the board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

The Nomination Committee shall review the Board Diversity Policy and the measurable objectives periodically, and as appropriate, to ensure the continued effectiveness of the Board.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the period from the Listing Date to the date of this annual report, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and compliance manual, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

As the Company was only listed on the Stock Exchange on August 24, 2021, only three Board meetings were held during the period from the Listing Date to the date of this annual report. However, the Company in accordance with code provision C.5.1 of the CG Code, expects to convene Board meetings regularly with at least four times a year, and at approximately quarterly intervals with active participation of majority of the Directors, either in person or through electronic means of communication.

The attendance records of each Director at the Board and Board committee meetings of the Company held during the period from the Listing Date to the date of this annual report are set out below:

	Attendance/Number of Meeting(s)				
Name of Director	Board meeting(s)	Audit Committee meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meetings(s)	General meeting(s)
Executive Directors					
Ms. Jing LI	3/3	N/A	2/2	2/2	N/A
Mr. Silvio Rudolf SCHAFFNER	3/3	N/A	N/A	N/A	N/A
Non-Executive Directors					
Mr. Ke TANG	3/3	N/A	N/A	N/A	N/A
Mr. Chen CHEN	3/3	3/3	N/A	N/A	N/A
Independent Non-Executive Directors					
Dr. Yuqi WANG	3/3	3/3	2/2	2/2	N/A
Ms. Hong NI	3/3	N/A	2/2	2/2	N/A
Ms. Kin Yee POON	3/3	3/3	N/A	N/A	N/A

Notices of not less than 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and Board committee meetings, reasonable notice will be generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have potential or actual conflicts of interests.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for the risk management and internal control systems, reviewing their effectiveness at least once a year through Audit Committee. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance that there will be no material misrepresentation or losses. During the year of 2021, the Audit Committee has reviewed the Company's risk management and internal control systems and processes which covered the whole financial year.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, establishing and maintaining appropriate effective risk management and internal control systems. The Audit Committee, as delegated by the Board, has reviewed the management and oversee the design, implementation and supervision of the Company's internal control systems covering all significant material controls over risk management, including financial, operational and compliance controls for the Reporting Period.

The Company has adopted risk assessment systems, which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with the Company on an on-going basis. The Audit Committee and the Board supervise the implementation of the Company's risk management policies. The management continuously monitors the Company's business performance and regularly coordinates and organizes the relevant risk management departments to conduct risk management review. Risk management-related department review and improve existing risk management policies, continuously monitor operational risks, financial risks, market risks, policy and regulation risks and moral risks, etc., promptly identify and evaluate various risks faced by the Company and take necessary control measures.

The Company has developed and adopted various risk management procedures and internal control process with defined rights and responsibilities for each key business and function department, including sales and collection management, procurement, payment and expense management, fixed assets management, intangible assets management, intellectual property management, human resources and payroll management, treasury management, inventory management, and IT general controls. Also, the Company has engaged law firms to advise on and keep abreast with both PRC and HK laws and regulations. The Company continually arrange various training provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update the Company's Directors, Supervisors and senior management and relevant employees on the latest applicable laws and regulations.

The Company has set up policies that specifies the division of responsibilities for information disclosure and procedures for handling and releasing inside information and other disclosable information. The Company has implemented control procedures to ensure that unauthorized access to and use of inside information are strictly prohibited.

The Company has established risk management and internal control management to build general risk management internal control environment. The Board has reviewed the risk management and internal control systems for the reporting period, which covers financial, operational, compliance procedural and risk management functions, and considers them efficient and adequate.

INSIDE INFORMATION

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors. Having made specific enquiries of all the Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code for the period from the Listing Date up to the date of this annual report.

The Company's relevant employees, who because of his/her office or employment, are likely to be in possession of inside information of the Company, are also subject to the Model Code. The Company is not aware of any noncompliance of the Model Code by the relevant employees of the Group for the period from the Listing Date up to the date of this annual report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of insider information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

AUDITORS' REMUNERATION

The total fee paid/payable to the external auditors of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended December 31, 2021 is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit Services	3,500
Non-audit Services	
– Taxation	–
– Due Diligence	–
	3,500

JOINT COMPANY SECRETARIES

Mr. Chen LI ("**Mr. Li**") and Ms. Ching Yi LI ("**Ms. Li**") were appointed as the joint company secretaries of the Company.

Mr. Li has been appointed as our joint company secretary on January 29, 2021. He first joined the Group in 2016 as a product specialist, and was promoted as a product manager in January 2017, as business development manager in March 2018 and has been the business development director since October 2019. Mr. Li obtained his bachelor's degree in telecommunication engineering from The University of New South Wales in Australia in August 2014 and his master's degree from Macquarie University in Australia in January 2016.

Ms. Li is a senior manager of the Listing Corporate Services Department of Trident Corporate Services (Asia) Ltd., a global professional services firm. She has more than 10 years of professional experience in company secretarial field. Ms. Li is an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries). Ms. Li has assisted on the Company Secretarial matters of the Company and has closely communicated with Mr. Li.

During the year ended December 31, 2021, each of Mr. Li and Ms. Li has undertaken not less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The general meetings of the Company provide a platform for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee or, in their absence, other members of the respective committees, are available to answer Shareholders' questions at general meetings. The external auditor of the Company is also invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication and to build a communication channel between the Company and the Shareholders, the Company adopts a Shareholders' communication policy and maintains a website (www.acotec.cn), where information and updates on the Company's financial information, corporate governance practices, biographical information of the Board and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedures for Shareholders to Convene Extraordinary General Meeting

Article 12.3 of the Articles of Association provides that general meetings shall be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s).

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for shareholders to propose a person for election as a director

For proposal of a person for election as Director, pursuant to Article 16.4 of the Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Base on this, if a Shareholder wishes to propose a person (the "**Candidate**") for election as a Director at a general meeting, he/she shall deposit a written notice at the Company's principal place of business in Hong Kong at 14th Floor, Golden Centre, 188 Des Voeux Road Central, Hong Kong. The notice must (i) include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

Putting Forward Proposals at General Meeting

There are no provisions in the Articles of Association or in the Companies Law of the Cayman Islands for putting forward proposals of new resolutions by Shareholders at general meetings. Shareholders who wish to move forward a resolution may request the Company to convene a general meeting in accordance with the procedures mentioned above. For proposing a person for election as a Director, please refer to the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	4-5/F., Building No.1 16 North Hongda Road Beijing Economic-Technological Development Area Beijing PRC (For the attention of the Board of Directors)
Fax:	+86 10 6786 6678
Email:	ir@acotec.cn

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Change in constitutional documents

The Company adopted amended and restated Articles of Association on June 23, 2021, which has been effective from the Listing Date. During the period from the Listing Date to the date of this annual report, no other changes have been made to the said Articles of Association. The Articles of Association is available on the websites of the Company and the Stock Exchange.

Policies relating to Shareholders

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

Dividend Policy

Code provision F.1.1 of the CG Code provides that the issuer should have a policy on payment of dividends. As the Company expects to retain all future earnings for use in the operation and expansion of the business and does not have any dividend policy to declare or pay any dividends in the near future. The Board will review the Company's status periodically and consider adopting a dividend policy if and when appropriate.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the first Environmental, Social and Governance Report ("ESG Report") issued by Acotec Scientific Holdings Limited (for better presentation and readability, "the Company", "Acotec"and "we"). presenting the management practice and performance in the aspects of environment, social and governance in 2021. The report mainly introduces the Company's management policies in environmental, social and governance aspects and the specific management measures taken during the reporting period, aiming to strengthen the communication and contact with the internal and external stakeholders of the Company.

The Board of Directors and all directors of the Company guarantee that the contents of this report do not contain any false, misleading statements or material omissions and that they shall be individually and jointly liable for the truthfulness, accuracy and completeness of the contents.

Organisational structure

The main scope of this report includes Acotec Scientific Holdings Limited and its main domestic and foreign subsidiaries and offices.

Reporting period

The Corporate Environmental, Social and Governance Report is an annual report covering the period from 1 January 2021 to 31 December 2021. Some of the content extend to 2021 and 2022, making the report more informative.

Reporting principles

This report has been prepared in accordance with the following reporting principles:

Materiality: Key ESG issues are identified through materiality assessment and relevant content has been disclosed in the ESG report;

Quantitative: Quantitative information on environmental and social aspects is presented in the ESG report, together with a description of its purpose and impact. Comparative data will be provided in subsequent ESG reports;

Consistency: This is our first ESG report, and we will adopt a consistent approach to ESG disclosure in subsequent years to facilitate meaningful comparisons from year to year.

Report preparation basis

This report has been prepared with reference to the requirements of the Environmental, Social and Governance Reporting Guidelines of The Stock Exchange of Hong Kong Limited ("HKEX") as set out in Appendix 27 to the Listing Rules.

Reporting language

This report is published in English and Chinese versions respectively via the internet. Stakeholders may access this report on the website of the Hong Kong Stock Exchange (www.hkexnews.hk). In case of discrepancies between the Chinese version and the English translation, the Chinese version shall prevail.

Contact Us

We attach great importance to the views of stakeholders and the public on this report. If you have any inquiries or suggestions, please feel free to contact the Company through the following method.

Headquarter Location:	4-5F, Building 1, No.16 Hongda North Road, Beijing Economic and Technological Development Zone, Beijing, China
Principal place of business in Hong Kong:	14/F, Golden Dragon Centre, 188 Des Voeux Road Central, Hong Kong
Company website:	www.acotec.cn
Contact email:	ir@acotec.cn

ABOUT US

Acotec Scientific Co., Ltd. is a leading interventional medical device company in China. Our products are mainly focused on vascular disease interventional treatment, including drug-coated balloons (DCB):Peripheral balloon dilation catheter (PTA), etc. We now have a comprehensive portfolio of products in five major therapeutic areas, including vascular surgery, cardiology, nephrology, neurology and menswear.

The Company has a number of domestic and foreign core intellectual property rights, with technological innovation products to help medical workers to provide better patient treatment solutions, committed to build "Made in China, the world's leading" brand. Currently, we are operating in China as well as many other countries and regions in Asia and Europe.

We own

- World-class medical device R&D expertise
- Integration, independent production equipment and technology
- Certified production environment: ISO13485

We have

- Peripheral Balloon Dilation Catheter/Drug Coated Balloon obtained CE certification
- Peripheral Balloon Dilatation Catheter/Drug Coating Balloon/Mapping Electrode Catheter/Radio Frequency Ablation Catheter Obtained NMPA registration certificate
- Drug-coated balloons receive special approval for innovative medical devices

Our development purpose

To improve the health of patients around the world by providing innovative and affordable medical devices.

Business development

Interventional treatment of vascular diseases caused by atherosclerosis is considered one of the most ground-breaking areas of modern medical research. In recent years, the incidence of vascular diseases caused by atherosclerosis (such as peripheral artery disease (PAD), coronary artery disease (CAD) and stroke) has been increasing year by year, driving the use of minimally invasive interventional procedures worldwide. Related interventional treatment options have evolved from percutaneous transluminal angioplasty (PTA) balloons to stents and further to DCB. The major drawback of PTA balloons is the high incidence of short-term restenosis; stents are effective in preventing vessel restenosis, but may cause complications such as thrombosis, stent fracture, and in-stent restenosis (ISR). DCB therapy is an innovative therapy using angioplasty balloons coated with anti-proliferative drugs. As compared to PTA balloons, DCB can effectively inhibit neointimal hyperplasia thanks to the drugs coated on the balloons, thereby reducing late lumen loss and restenosis. As compared to stents, DCB can significantly reduce the risk of thrombosis, avoid stent fracture and ISR, and more importantly, offer a unique value proposition of "leaving nothing behind" in human bodies. DCB is becoming increasingly popular in vascular interventions and is gradually replacing stents.

Dr. Ulrich Speck, our CTO, first proposed the concept of DCB therapy and invented the world's first DCB product; our DCB products are based on these technologies.

We have four DCB products approved by the National Medical Products Administration:

- **AcoArt Orchid® & Dhalia™**

  AcoArt Orchid® & Dhalia™ is a paclitaxel DCB used to prevent stenosis or occlusion in superficial femoral artery (SFA) and popliteal artery (PPA) for the treatment of lower extremity artery disease (LEAD) with a vascular interventional approach. It is compatible with the guidewire of 0.035" (Orchid®) and 0.018" (Dhalia™).

  We received the CE Marking for AcoArt Orchid® in 2014 and the NMPA approval for AcoArt Orchid® & Dhalia™ in 2016. AcoArt Orchid® & Dhalia™ was the first peripheral DCB product launched in China. As of December 31, 2021, we have also launched AcoArt Orchid® in 12 other countries, including Germany, Italy, Switzerland, Czech Republic, Ecuador, Estonia, Hungary, India, South Africa, Spain, Turkey and Brazil. As of December 31, 2021, there has been no major accident or adverse change since we received the relevant regulatory approval or registration.

- **AcoArt Tulip™ & Litos™**

  AcoArt Tulip™ & Litos™ is a paclitaxel DCB used to prevent stenosis or occlusion in below-the-knee (BTK) arteries for the treatment of chronic limb-threatening ischemia with a vascular interventional approach. It is compatible with the guidewire of 0.018" (Tulip™) and 0.014" (Litos™).

  We received the CE Marking for AcoArt Tulip™ & Litos™ in 2014, the FDA "breakthrough device" designation for AcoArt Litos™ in 2019 and the NMPA approval for market for AcoArt Tulip™ & Litos™ in December 2020, and successfully launched it in China in January 2021.AcoArt Litos™ is the first domestic device to receive the FDA "Breakthrough Device" designation, and AcoArt Tulip™ &Litos™ is the world's first BTK DCB product approved by National Medical Products Administration and launched in China. As of December 31, 2021, we have also launched AcoArt Tulip™& Litos™ in 12 other countries, including Germany, Italy, Switzerland, Czech Republic, Ecuador, Estonia, Hungary, India, South Africa, Spain, Turkey and Brazil. We are also screening business partners for AcoArt Litos™ clinical trial in the United States, and will start the relevant application procedures in due course.

Our Strategy

We plan to implement the following strategies to achieve our mission:

- Leverage synergies among our four core technologies to further expand our product offerings
- Continue to increase the sales of AcoArt Orchid® & Dhalia™
- Accelerate clinical development and commercialization of late-stage products in development
- Expand geographic coverage and global strategic presence to become a global leader; and
- Strengthen R&D capability and expand manufacturing capacity

A MESSAGE FROM CEO

To stakeholders:

As a leading innovative medical device enterprise, over the past few years, Acotec has adhered to the original intention of lifting the constraints of imported medical device products, building the Chinese people's own medical device market, providing the best vascular disease treatment solutions for patients in China and even the world, focusing on production and R & D, and providing a variety of innovative scientific and technological products for the treatment of peripheral intervention diseases. At the same time, we have been actively taking social responsibility and giving back to the society. We strive to work with all stakeholders to create a positive impact in protecting the environment and promoting a low-carbon economy.

We stick to product quality. Medical devices are closely related to the life safety of patients. Therefore, stable and high-quality products are our foundation. Mature quality management system and product use safety are important guarantees and crucial issues for the production and operation quality of medical device enterprises. Product quality and service quality are the lifeline to realize the sustainable development of the company. In terms of product quality, we strictly control it, provide high-quality innovative products for the global market.

We focus on the clinical needs of doctors and patients. The source of production and research of Acotec always comes from clinical needs. Continuously creating unmet clinical needs and providing the best solutions for doctors and patients has always been our production and research philosophy. After years of continuous research and development, our first product Acoart Orchid® & Dhalia™ listed in 2016, it is China's first peripheral DCB product. Acoart tulip. Launched in 2020, AcoArt Tulip™ & Litos™ still holds the record for the world's first and only under-the-knee DCB product. The launch of these two products has also brought innovative therapies to clinical doctors and patients in the field of peripheral intervention in China.

We insist on human text. Continuous and stable talent team is the inexhaustible driving force for us to move forward. Employees are one of the most important core competitiveness of the enterprise. Adhering to the people-oriented development and business philosophy is an important premise to ensure the sustainable development of the company. We insist on attracting, cultivating and making good use of talents, actively build talent echelons at all levels, and provide targeted training for employees according to different types of work to improve their professional level.

Environmental, Social and Governance Report

We are strict with ourselves and abide by moral standards. Integrity and compliance operation is an important part of enterprise management. Acotec pursues excellent quality products and services. We have formulated relevant management systems to ensure the quality of products and customer services. Through various means, we strengthen the internal information security management of the company and respect the privacy of patients, customers and employees. We strive to establish a long-term, close and mutually beneficial cooperative relationship with suppliers, work together to provide customers with high-quality products and services, and promote the sustainable and stable development of the industry.

We always practice the concept of green environmental protection. Acotec aims at the common development of economic and environmental benefits. While developing its business, it deeply implements the concept of energy conservation and environmental protection, takes a variety of measures, and constantly pursues clean, efficient and green development. Take promoting sustainable development as an unshirkable social responsibility, strive to practice the green concept and contribute to building a low-carbon society.

In 2021, facing the situation of local multi-point spread of the epidemic and increasing downward pressure on the economy, under this background, all Acotec employees are not trapped outside, concentrate on the inside and stick to their original intention. The company maintains stable and orderly production and operation and maintains our leading position in the subdivision track. We continue to strengthen independent R & D and innovation to inject new growth impetus into the company. At the same time, stable business operation gives us the ability to repay the society. In the future, we will continue to make refined products, expand the product pipeline based on our four platform technologies and five treatment fields, and build a technology platform company for systemic vascular interventional therapy.

At the same time, the sustainable development of Acotec is inseparable from the participation and support of various stakeholders, including employees, customers, investors, regulators, suppliers, research institutions, media, local communities, etc. By maintaining communication with stakeholders and communicating on major sustainable development issues, we believe that Acotec will move forward on the road of sustainable development, be stable and far-reaching, and jointly move towards a sustainable future!

Chairman of the board, executive director and CEO
Li Jing
March 29, 2022

BOARD OF DIRECTORS STATEMENT

The Board of Directors of the Company assumes full responsibility for the environmental, social and governance strategy and reporting, and is responsible for assessing and defining the Company's environmental, social and governance-related risks, and ensuring that the Company has appropriate and effective environmental, social and governance risk management and internal control systems in place. The Board of Directors and all Directors ensure that the contents of this report do not contain any false statements, misleading statements or material omissions and accept individual and joint responsibility for the truthfulness, accuracy and completeness of the contents of this ESG report.

The Company's Board of Directors is the highest decision-making body for ESG management, guiding the direction of the Company's sustainable development, formulating the overall vision, goals and management strategies for the Company's sustainable development, reviewing the Company's annual ESG report, and the relevant working groups under it promote the implementation of ESG work within the Company. By assessing the materiality of ESG issues, we found that R&D innovation, product quality management and intellectual property management are ESG issues of high importance to the Company. As a leading innovative medical device company, we continue to strengthen the Company's innovation and R&D capabilities to continuously lead the industry and thus promote the sustainable development of the Company.

Innovative research and development, product quality management and the management of intellectual property rights are of paramount importance to the Company. World-class technologies are the key to our success, and we have formed four segments of core technology, i.e., drug-coating technology, aspiration platform technology, polymer material technology, and radiofrequency ablation technology. The Company mixes these four segments of leading technology and creates significant synergetic effects, they can help us expand our presence in other innovative therapies and enhance our product quality. Based on the principle of mutually beneficial cooperation for win-win outcomes, we integrate and share our leading resources to partner with various stakeholders, maximise shareholders' interest, benefit our customers and share the fruit of corporate development with our employees.

In addition, we are conscious of the opportunities and challenges brought to our operation by the increasing regulatory requirements and the development trend of green, safe and sustainable industry. Going forward, we will continue to adjust our sustainable development management strategy and methods in accordance with stakeholder expectations and our operational reality, and continuously improve the level of sustainable development of the Company.

SUSTAINABILITY MANAGEMENT

ESG Governance

The Board of Directors is the highest decision-making body for the Company's ESG efforts and has full responsibility for the Company's ESG strategy and reporting. Key responsibilities include:

- Determine the overall objectives and strategies of ESG management.
- Responsible for assessing and defining the Company's ESG-related risks and ensure that the Company has an appropriate and effective ESG risk management and internal control system in place.
- Review major ESG management matters, including but not limited to annual ESG report review.

The Business Development Department is the lead department for promoting ESG work. Key responsibilities include:

- Organize and carry out ESG management work, formulate relevant systems and processes, maintain and update ESG indicator system according to the Company's overall ESG management objectives and management strategies.
- Responsible for guiding, promoting, coordinating and supervising ESG management in all departments, and assessing and evaluating the implementation results.
- Organize the compilation of annual ESG report, and arrange the release and publicity of the report according to the requirements of Listing Rules.
- Manage and coordinate external service providers for ESG management and carry out ESG-related communication, consulting, auditing and training according to work needs.
- Regularly report to the board of directors and senior managers on the performance of ESG management.
- Stakeholder communication: Responsible for organizing and participating in major domestic and international forums and conferences based on the Company's annual stakeholder communication priorities, and extensively leveraging the power of third-party organizations in the CSR industry to carry out special communication activities on key social responsibility issues.

The main responsibilities of relevant departments include:

- Referring to the ESG indicator system, according to the division of responsibilities, under the unified coordination and organizational promotion of the Business Development Department, be responsible for completing the work related to the implementation of social responsibility in the major or the system.
- According to the division of responsibilities and contact objects, establish a regular mechanism of communication with stakeholders in daily work, collect opinions through various methods such as work reports, conference communication, and consultation, as a reference for the improvement of social responsibility work, and feedback and respond when necessary.

Corporate ESG Governance Structure

Decision-making Level **Board of Directors**	➢ **Responsible for overall ESG governance** ➢ **Monitor and review ESG performance**
Coordination Level **Business Development Department**	➢ **Implement Decision-making Level resolutions** ➢ **Communicate and coordinate ESG issues** ➢ **Organize the preparation of ESG reports**
Executive Level **Relevant departments**	➢ **Complete ESG-related work** ➢ **Communicate with stakeholders**

Stakeholder Communication

Based on the requirements of the HKEX ESG Reporting Guide and by reference to procedures for the substantive analysis of the Global Reporting Initiative ("GRI"), the Company gathered issues concerned by major stakeholders by questionnaires and interviews, analyzed and prioritized these issues so as to determine important corporate issues regarding environment, society, and governance and disclose them in the report.

Process of Importance Assessment

1) Identify ESG issues related to the Company by analyzing the HKEX ESG Reporting Guide and the issues disclosed by peers;

2) Invite important stakeholders to assess the importance of the identified issues, among which the internal stakeholders assess such issues mainly from the perspectives of the Company's long-term development strategy, management upgrading, investment priority, and competitive advantages, while external stakeholders assess them from the perspectives of impact on the Company's evaluation and decision-making, as well as on the interests of themselves to produce the first draft of the importance matrix by integrating the assessment of both internal and external stakeholders;

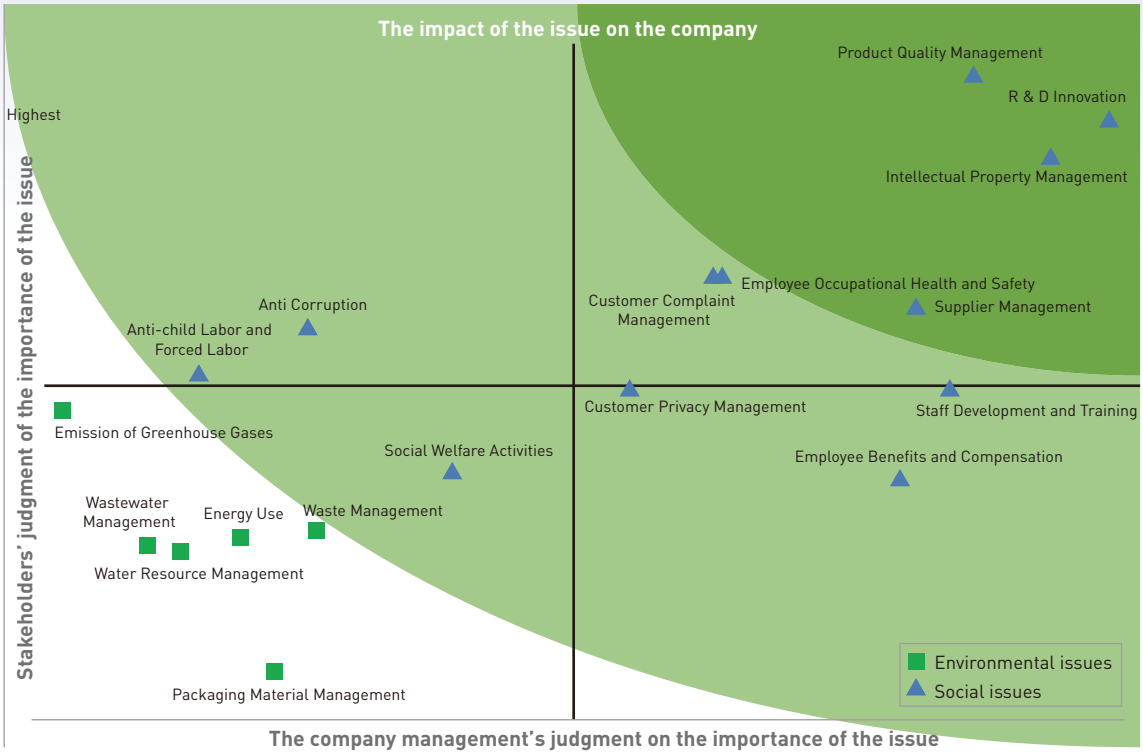
3) Management review the priority sequence of the materiality issue;

4) Solicit feedbacks on the report for the period from internal and external stakeholders after the reporting period to prepare for the next report

Stakeholders	Expectations of Stakeholders	Mechanisms of Communication and Participation	Responses from the Company
Investors	• Increase of the Company's market value and profitability • Continuously improve the Company's environmental and social responsibility performance	General meetings, information disclosure, company website	• Issue reports regularly, disclosing information truthfully and thoroughly, invest effort in making achievements and creating profits • Improve corporate governance and risk management level, convene general meetings, enhance investor relations management and strive to improve environmental and social responsibility management

Stakeholders	Expectations of Stakeholders	Mechanisms of Communication and Participation	Responses from the Company
Customers	• high-quality products • Safeguard customer's legitimate interests	Sign contracts and agreements, customer's satisfaction survey	• Provide high-quality products and services • Establish a sound customer service system and customer opinion feedback and complaints mechanism
Employees	• Uphold employees' remuneration and benefits • Care for safety and health of employees • Offer equal promotion and development opportunities • improve the Communication mechanism; engage in company management	Employment contracts, employee's satisfaction survey	• Strictly observe provisions within employment contracts, improve the remuneration and benefits system • Offer safe and healthy working environment • Offer development paths for employees, and organise staff training • Offer equal communication channel
Governments	• Observe the law, operate in compliance with the regulations, and in line with national policies	Engage in relevant governmental meetings	• Strictly observe relevant laws and regulations, continuously enhance corporate compliance management, and give respond to national policies
Suppliers	• Honest, fair and just cooperation, mutual benefits and win-win scenarios to promote industry development	Sign contracts and agreements, and hold tender and bidding, and supplier meetings regularly	• Actively perform the contracts and agreements by adhering to open and transparent business principles, adopt open and transparent procurement model, and develop an accountable supply chain
Peers	• Fair competition, cooperation with integrity, transparent and open information • Comply with industry standards, and advancement of industry innovation	Exchanges with relevant research institutes, associations, mainstream media related to the industry	• Strengthen communication and cooperation with peers; jointly create a healthy and orderly competitive environment • Participate in industry innovations and researches and appraisal of outstanding enterprises, achieve mutual benefits, win-win and mutual improvement, and put forward proposals for industry standards

Materiality Assessment



Materiality Assessment Matrix

1. R&D INNOVATION

1.1 Innovative product development

We are a leading innovative medical device company in China focusing on providing "leave nothing behind" treatment solutions for vascular diseases. We have developed a suite of interventional medical devices featuring world-leading technologies, notably in the fields of drug-coated balloons (DCB) and thrombus aspiration catheters worldwide. In 2016, we developed and launched our first peripheral DCB product in China, as well as dominated the Chinese peripheral DCB market with approximately 86.9% market share in terms of revenue generated in 2020. Our second DCB product receive the FDA "breakthrough device" designation in 2019 and the NMPA approval in December 2020, making it the world's first regulatory-approved DCB product used to prevent stenosis or occlusion in below-the-knee (BTK) arteries. Our DCB products feature one of the most advanced drug-coating technologies among all the DCB products worldwide. We are also building a comprehensive product line of 24 additional product candidates in various stages of development. Our first-mover advantage, world-class technology, dominant market share in China and comprehensive product line have built high barriers that are difficult for our competitors to surmount. Our mission is to be the world's leading device provider of "leave nothing behind" treatment solutions for vascular disease.

We are also a pioneer in expanding indications of DCB products. The narrowing of arteries may result in different types of diseases. Depending on the different arteries affected, such diseases include peripheral artery disease (PAD), coronary artery disease (CAD), stroke, arteriovenous fistula (AVF) stenosis in hemodialysis (HD) patients and erectile dysfunction. DCB therapy, as a proven therapy for the treatment of CAD and PAD, is a promising therapy for treating these other types of vascular diseases. We are actively exploring the opportunities to expand the indications of our core products to nephrology, neurology and andrology, to address the unmet or underserved clinical needs of patients suffering from other types of vascular diseases, such as arteriovenous fistula (AVF) stenosis, vertebral atherosclerotic stenosis and erectile dysfunction. With our strong R&D capabilities, experience in product registration and a well-established commercialization network, we believe we can effectively replicate our success in lower extremity DCB market and capture the growth potential of the large and rapidly growing vascular disease treatment market in China.

We are also offering and developing many other therapeutic, procedural and ancillary medical devices such as thrombus aspiration devices, radiofrequency systems and specialty balloons.The following chart summarizes the key information of our full product portfolio including the key Information of four commercialized products, the indication expansion for our Core Products in three therapeutic areas, and 28 additional product candidates:

	Products and Product Candidates	Indications / Applications	Key Technologies	Phase	Estimated approval
				Pre-clinical Studies / Clinical Studies / Registration	
Vascular Surgery	AcoArt Orchid® & Dhalia™/Orchid Plus★ (note)	Superficial femoral artery (SFA) and popliteal artery (PPA) disease	Drug coating technology	China — NMPA ★	N/A
				Europe — CE ★	N/A
	AcoArt Tulip™ & Litos™ ★	Below-the-knee (BTK) artery disease	Drug coating technology	China — NMPA ★	N/A
				Europe — CE ★	N/A
				USA	FDA IDE approval (2022)
	AcoArt Iris™ & Jasmin™	PTA Balloon applied in PTA procedure	Polymer materials	China — NMPA ★	N/A
				Europe — CE ★	N/A
	AcoArt Lily™ & Rosmarin™	PTA Balloon applied in PTA procedure	Polymer materials	China — NMPA ★	N/A
				Europe — CE ★	N/A
	Peripheral Aspiration System ▲ AcoStream™	DVT, ALI and PE	Aspiration platform	China — Exempted from clinical trial — NMPA ★	N/A
	Radiofrequency Ablation System	Saphenous varicose veins	RF platform		2022
	Lower Limb Sirolimus DCB	SFA and PPA disease	Drug coating technology		2025
	Peripheral Spot Stent	SFA and PPA disease	Polymer materials		2024
	Peripheral Triple-Guidewire Balloon	SFA and PPA disease	Polymer materials		2023
	Peripheral Scoring Balloon	SFA and PPA disease	Polymer materials		2023
	Peripheral Rotational Atherectomy Device	Intravascular calcium	Polymer materials		2025
	Peripheral IVL System	Intravascular calcium	Polymer materials		2026
	Peripheral Coil	Embolization	Polymer materials		2024
	Carotid Stent	Carotid artery stenosis	Polymer materials		2025
	Peripheral Thrombectomy Device	DVT, ALI and PE	Polymer materials		2025
	Peripheral Support Catheter ▲	Peripheral CTO lesion	Polymer materials	Exempted from clinical trial	2022
	Above-The-Knee PTA Balloon ▲	PTA	Polymer materials	Exempted from clinical trial	2022
	Below-The-Knee PTA Balloon ▲	PTA	Polymer materials	Exempted from clinical trial	2022
	2nd Gen Peripheral Aspiration System ▲	DVT, ALI and PE	Polymer materials	Exempted from clinical trial	2023
Cardiology	AcoArt Camellia™(DCB)	Coronary small vessel diseases	Drug coating technology	China	2024
	Coronary Sirolimus DCB	Bifurcation lesions	Drug coating technology	China	2024
	Coronary Scoring Balloon	PTCA	Polymer materials		2023
	Coronary IVL System	Coronary lesion calcium	Polymer materials		2026
	Coronary Rotational Atherectomy Device	Intravascular calcium	Polymer materials		2025
	Coronary CTO Recanalization Balloon ▲	Coronary CTO	Polymer materials	Exempted from clinical trial	2023
	Guiding Extension Catheter ▲	Coronary CTO	Polymer materials	Exempted from clinical trial	2023
	Coronary CTO Antegrade Micro-Catheter ▲	Coronary CTO	Polymer materials	Exempted from clinical trial	2023
	Coronary Double-Lumen Selecting Catheter ▲	Bifurcation lesions	Polymer materials	Exempted from clinical trial	2023
	Coronary Retrograde Micro-Catheter ▲	Coronary CTO	Polymer materials	Exempted from clinical trial	2023
Nephrology	AcoArt Orchid® & Dhalia™/Orchid Plus☆ (DCB)	Arteriovenous fistula stenosis	Drug coating technology	China	2022
	AV Scoring Balloon	AVF PTA procedure	Polymer materials	China	2023
	High-Pressure Balloon ▲	AVF PTA procedure	Polymer materials	Exempted from clinical trial	2023
Neurology	AcoArt Orchid® & Dhalia™/Orchid Plus☆ (DCB)	Vertebral atherosclerotic stenosis	Drug coating technology	China	2024
	AcoArt Daisy™(DCB)	Intracranial atherosclerotic stenosis	Drug coating technology	China	2024
	Intracranial PTA Balloon ▲	Intracranial PTA procedure	Polymer materials	Exempted from clinical trial	2022
Andrology	AcoArt Orchid® & Dhalia™ (DCB)/Orchid Plus☆	Vasculogenic erectile dysfunction	Drug coating technology		2025
	AcoArt Tulip™ & Litos™ (DCB)☆	Vasculogenic erectile dysfunction	Drug coating technology		2025

★ Core Product ☆ Indication expansion of Core Product ▲ Exempted from clinical trial requirements in accordance with the Catalogue of Medical Device Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》) promulgated by the NMPA, as amended. Commercialization

Note:

We have been continuously improving the performance of AcoArt Orchid® & Dhalia™. As advised by NMPA and as part of our business strategy, we decided not to register Orchid Plus as a separate product. Alternatively, we applied to register Orchid Plus as an upgrade version of AcoArt Orchid® & Dhalia™ with improved delivery balloon catheter system, and received the revised NMPA approval for AcoArt Orchid® & Dhalia™ in November 2021.

In 2021, there are five products submitted for registration testing: support micro-catheter, peripheral spot stent, BTK tapered balloon, intracranial balloon and PTCA semi-compliant balloon. Seven products are in the process of clinical trial: vertebral artery, coronary PCB, coronary SCB, intracranial PCB, peripheral SCB, ED and spot stent. Two products have completed the clinical trial: radiofrequency ablation catheters and AVF. Two products are submitted for registration: support micro-catheter and peripheral aspiration catheter.

We have a strong in-house R&D team of 86 members, with 53 members based in Beijing, China and 29 members based in Shenzhen, China and 4 members based overseas.Our R&D team includes 30 people with master's or doctoral degrees. There are 51 people in our R&D department, including 30 people in Beijing, 21 people in Shenzhen, and 18 people with master's degree or above in R & D department. Our R&D team has a high degree of expertise to help Acotec to grow steadily in terms of R&D innovation.

Materials Science | **Mechanical design and manufacturing** | **Chemistry** | **Biomedical engineering** | **Electronic Science and Technology** | **Automation** | **Computer Programming**

Our research and development team in Beijing, China is divided into two sub-teams. One sub-team is primarily responsible for the design and development of drug-coating formulations, led by the head of the team, who has extensive experience in developing drug-coating technologies. The other sub-team is primarily responsible for the development of aspiration pump and catheters and radiofrequency ablation technologies, led by the head of the team, who has vast experience in developing power sourced medical devices. The division of work and collaboration among teams enhances the efficiency of our research and development activities.

Our research and development team in Shenzhen, China is primarily responsible for the design and development of polymer materials (including the research and development of the molding and processing of high-molecule substances designed for use in balloons and catheters), led by the head of the team, who has extensive experience in developing high-molecule materials and expertise in high molecule extrusion technique. Our research and development teams in Beijing and Shenzhen have cooperated on several projects and maintained frequent communications on market information and their research and development results.

Our research and development team in overseas members serve as members of the Company's Scientific Advisory Board, which will provide guidance to the Company's global study for below-the-knee (BTK) drug-coated balloons (DCB) products indication expansion in the U.S. and Europe for the purpose of registration with U.S. Food and Drug Administration (FDA) in the U.S. as well as guide the Company's new product development in peripheral intervention space and will support the Company's physician education both in China and in global market.

1.2 Intellectual Property Management

We have built a comprehensive intellectual property portfolio in China and overseas to protect our technologies, inventions and know-how and ensure our future success with commercializing our products. As at August 3, 2021, we had 27 registered patents and 26 registered trademarks, as well as 13 pending patent applications and nine pending trademark applications in China and overseas.

The following table shows a significant portfolio of patents related to our core products:

Application No.	Description	Patent Jurisdiction	Status	Applicant	Patent expiration date
CN201280064000.7	Drug-coated medical equipment	China	Registered	InnoRa GmbH	December 14, 2032
CN201380003801.7	Catheter assembly with protective sheath and method of manufacture	China	Registered	Acotec Scientific Co.Ltd.	September 13, 2033
IT102014902292405	Drug-coated balloon catheter	Italy	Registered	Pine Medical Limited	September 11, 2034
CN201510571576.8	Drug-coated balloon catheter and method of manufacture	China	Pending	Pine Medical Limited	N/A

2. RESPONSIBLE OPERATIONS

2.1 Product Responsibility

We believe that a well-developed quality management system and drug utilisation safety are an important safeguard and critical topic for the production and operation of a medical device enterprise. We strictly comply with *the Product Quality Law of the People's Republic of China, Measures for the Supervision and Administration of Medical Device Manufacture, Good Manufacturing Practice of Medical Devices, Regulation on the Supervision and Administration of Medical Devices*, and other laws and regulations, standards and guidelines. We continuously improve our quality management system from the perspective of overall quality outside and within the Company to strive for higher quality products and services.

We are required by applicable laws and regulations to recall our products if they are defective and have caused, or are likely to cause, harm to patients. During 2021, we had not experienced any product recall. Our product return and exchange policy generally does not allow any product return except when our products are defective, and generally does not allow any product exchange except when our products are defective or are approaching their expiration dates. During 2021, we had not experienced any product return or product exchange request due to product defects.

Our customers mainly include platform distributors, distributors and hospitals through a direct sales model. The Company formulated the Management Rules for Sales Management to specify customer channel management, return and exchange process, customer information management, customer credit limit management, pricing and discount mechanism, customer channel classification and management, and two-invoice policy monitoring in details to ensure the quality of products and customer services. In 2021, we received fewer complaints and pay more attention to seeking guidance on products.The Company has a strict procedure in place for handling customer complaints. Should there be any problem in customers' use of the Company's products or due to non-quality reasons, customers can file a complaint through respective sales manager or the main company number. The sales department will report the complaint within 24 hours and send the defective product back to the Company. The R&D department will consult the customer and the quality inspection department will take over to generate a product-related report to the customer if product defect is identified.

The Company complies with *the Cybersecurity Law of the People's Republic of China* and other relevant laws. We strengthen internal data security management and ensure the normal operation of our information system through various means. We respect the privacy of patients, customers and employees, and ensure that customers' information will not be divulged or abused. The Company formulated the Administrative Measures for Data Classification Management and Information Disclosure in accordance with laws and regulations and in light of actual circumstances to strengthen our data security, prevent and eliminate information leakage, safeguard and use the Company's secrets in a reasonable way and regulate the management of our information disclosure to ensure proper performance of information disclosure obligation and protection of the lawful interests of investors and the Company. The Administrative Measures specify the security and confidentiality requirements and the standards and procedures for proper disclosure of the Company's information, to protect the lawful interests of the Company and other stakeholders from infringement.

The Company complies with *the Measures for the Examination of Medical Devices Advertisements*, and there was no incidence of advertisement and trademark violation during the year. During the year, there was no serious breach of product and service duties that has a significant impact on the Company, nor any recall of sold or delivered products due to any safety or health reasons.

2.2 Sustainable Supply Chain

Sincere cooperation with suppliers is an important guarantee for the realization of Acotec's corporate strategy, and also an inexhaustible driving force for our development. We attach importance to the exchange with suppliers, actively build a cooperation platform, strive to establish a long-term close and mutually beneficial relationship with suppliers, work together to provide customers with quality products and services, and promote the sustainable and stable development of the industry.

In order to meet the requirements of the Company's development, regulate the behaviour of the Company and the relevant cooperative units, guide the cooperative units to improve their service awareness, according to the Contract Law of the People's Republic of China and other relevant laws and regulations and the relevant regulations of the Company, in accordance with the principle of complementary advantages and equality and voluntariness, the Company has issued the Supplier Management Regulations to regulate the audit, evaluation and re-evaluation of suppliers, and require that through the evaluation, selection and control of suppliers, ensure that the purchased products meet the stipulated quality requirements and are not lower than the national mandatory standards and comply with the relevant provisions of laws and regulations.

The Company's suppliers can be divided into A, B and C material suppliers, service providers such as entrusted sterilization, and suppliers of metrology and transportation services. For the first evaluation of suppliers, their business qualification, quality management system and ability to provide samples to meet the requirements should be evaluated. All audit items passed and approved by the quality director can be assessed as qualified suppliers. The distribution of our suppliers by region is as follows: 41 in North China, 42 in East China, 29 in South China, 1 in Southwest China and 21 abroad, a total of 134.

The annual re-evaluation cycle of qualified suppliers is once a year, which is organized by Quality Management Department and jointly reviewed and evaluated by the Supply Chain Management Department and approved by quality director. Supplier re-evaluation can be initiated at any time in case of abnormal events such as sudden unavailability of suppliers, major quality problems, unqualified site audits or major changes. The supplier's performance in meeting the requirements of purchased products (such as timely delivery ability, reasonable price, after-sale service, meeting the requirements of technical specifications for quality status, etc.) shall be the input of supplier re-evaluation. Quality Management Department shall update the list of qualified suppliers regularly according to the evaluation results of qualified suppliers.

The company will consider the environmental protection performance of products when selecting suppliers, ensure that the purchased products meet the requirements of relevant environmental protection indicators, and give priority to purchasing environmental friendly products under the same conditions.

2.3 Operating with integrity and compliance

Anti-corruption work and integrity work is an important part of enterprise management and a necessary part of enterprise self-discipline mechanism. Strengthening the anti-corruption and integrity work of enterprises is an inherent requirement for promoting the reform and development of enterprises, and a necessary choice for regulating the business management activities of enterprises.

Acotec seriously carries out anti-corruption work and strictly abides by the *Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China* and other laws and regulations. In order to prevent the occurrence of corruption, bribery, extortion, fraud, money laundering and other incidents, we constantly improve the internal anti-corruption supervision mechanism, strengthen the integrity publicity and education for employees, so as to enhance the staff's vigilance against corrupt behavior, forming a good atmosphere of compliance with the law, integrity and self-discipline, honesty and trustworthiness. We have formulated the *Code of Business Conduct for Beijing Acotec Medical Technology Co., Ltd*., which stipulates that: Acotec stresses the business principles of honesty, integrity and fairness in all aspects of work. We will not condone or tolerate any form of bribery, kickbacks or gratuities, directly or indirectly, to any person, including but not limited to business competitors, customers, officers, employees and agents of sellers or distributors, government officials or political parties or candidates, for the purpose of obtaining contracts, business benefits or political moves. We also prohibits employees from accepting any improper gratuities from any person as mentioned above.

If any violation is found, the employee can report to his/her immediate leader or the Chief Compliance Officer (the Company provides a dedicated line). To protect the privacy of whistle-blowers, employee information and conversations will be kept strictly confidential.

All employees who join Acotec are required to sign an agreement to abide by the *Code of Business Conduct for Beijing Acotec Medical Technology Co., Ltd*., which is emphasized in employee training.

In terms of strengthening employee integrity education, the company strives to improve employees' awareness of abiding by professional ethics, combating corruption and promoting integrity, and creating a clean and honest culture. The company has carried out relevant training in 2021, including directors and employees, to enhance directors and employees' awareness of corruption risk prevention.

In 2021, the Company did not identify any significant risks related to corruption, and there were no confirmed incidents of corruption or public legal proceedings against the Company and its employees related to corruption. Going forward, the Company will continue to attach importance to anti-corruption and strengthen the supervision of the anti-corruption monitoring body to provide protection for the healthy development of the Company.

2.4 Giving back to the community

As a responsible social citizen, we actively participate in community public welfare undertakings, earnestly fulfil our social responsibilities, and use our responsibilities and public welfare to give back to the society, establish a good corporate image, elevate corporate culture, and enhance employees' sense of honour. Affected by the COVID-19 pandemic, we did not organize public welfare activities during the year considering the requirements of pandemic prevention and control.

We will continue to promote cooperation with colleges and universities and further drive campus recruitment forward. Spring and autumn campus recruitment will be carried out to provide more employment opportunities for students with corresponding major and university, and to solve the employment problem of fresh graduates.

3. TALENT DEVELOPMENT & CARE

3.1 Safeguarding Employee Rights

Recruitment & Promotion

The Company strictly abide by *the Labour Law of the People's Republic of China, the Law of the People's Republic of China on Employment Contracts* and other laws and regulations, to open up multi-channel recruitment methods and implement a fair employment opportunity system. Acotec strictly comply with national laws and regulations, and resolutely put an end to the employment of child labour and forced labour practices; The Company has strict control from the recruitment process, the age of interviewers entering the interview process is not less than 18 years old interviewers must provide the original personal ID card, and successful interviewers must provide the original ID card, original graduation certificate and other documents in order to go through the onboarding procedures.

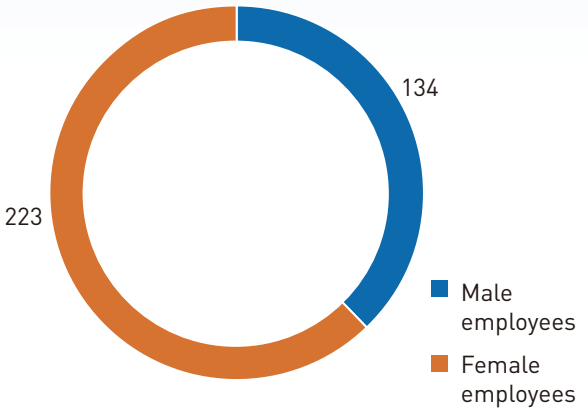
The Company adopts scientific talent evaluation, benign talent training system, and reasonable distribution mechanism to give full play to the advantages of talents and empower employees with valuable work so that each employee can obtain professional achievement. According to the staff's ability combined with the staff's willingness to develop, the Company provides staff with rotation opportunities, and in terms of job promotion, the Company has a promotion mechanism with a professional and technical path and a management path.

In 2021, the Company did not have any labour disputes caused by violations of laws and regulations, no child labour or forced labour was employed, and no social insurance violations or non-payment occurred.

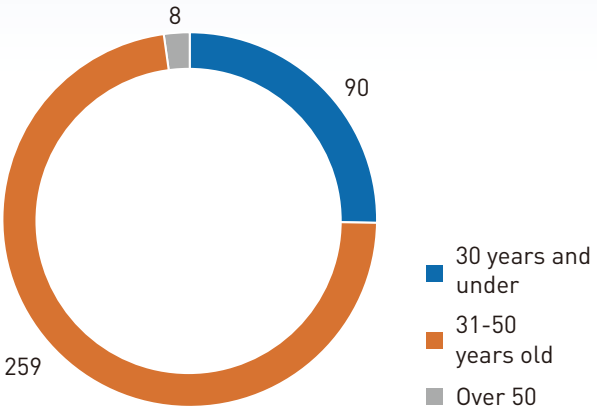
As of the end of December 2021, the total number of employees was 357, with an increase of 126 and 55% compared to the previous year. The company has no part-time employees. The Company's R&D team achieved an expansion of technical staff in 2021, The Company now covers talents in materials science, mechanical design and manufacturing, chemistry, biomedical engineering, electronic science and technology, automation, computer programming, etc, perfecting the reserve of talents and accelerating the landing of our projects. We have improved the talent pool in the active direction to accelerate the implementation of our active projects. The Company now has 46% of existing employees with bachelor's degree or above, 69 professional and technical talents, and the active turnover rate of core management team and R&D professional and technical personnel in 2021 is 0. The Company promotes 20 employees in 2021.

With the rapid development of the Company and the increase of projects, the Company's staffing will be expanded in 2022. The Human Resources Department will ensure the supply of talents in the form of social recruitment, school recruitment, internal promotion and head-hunters' high-end talents recommendation according to the requirements of each department for talents.

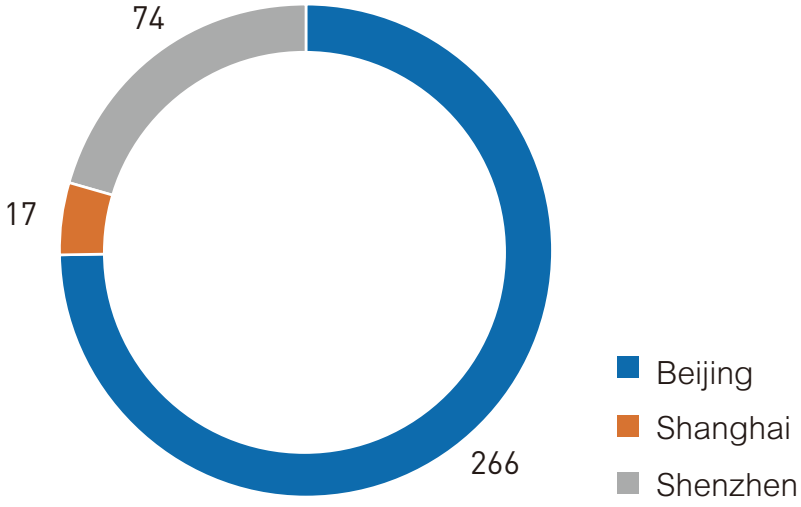
Total number of employees by gender (person)

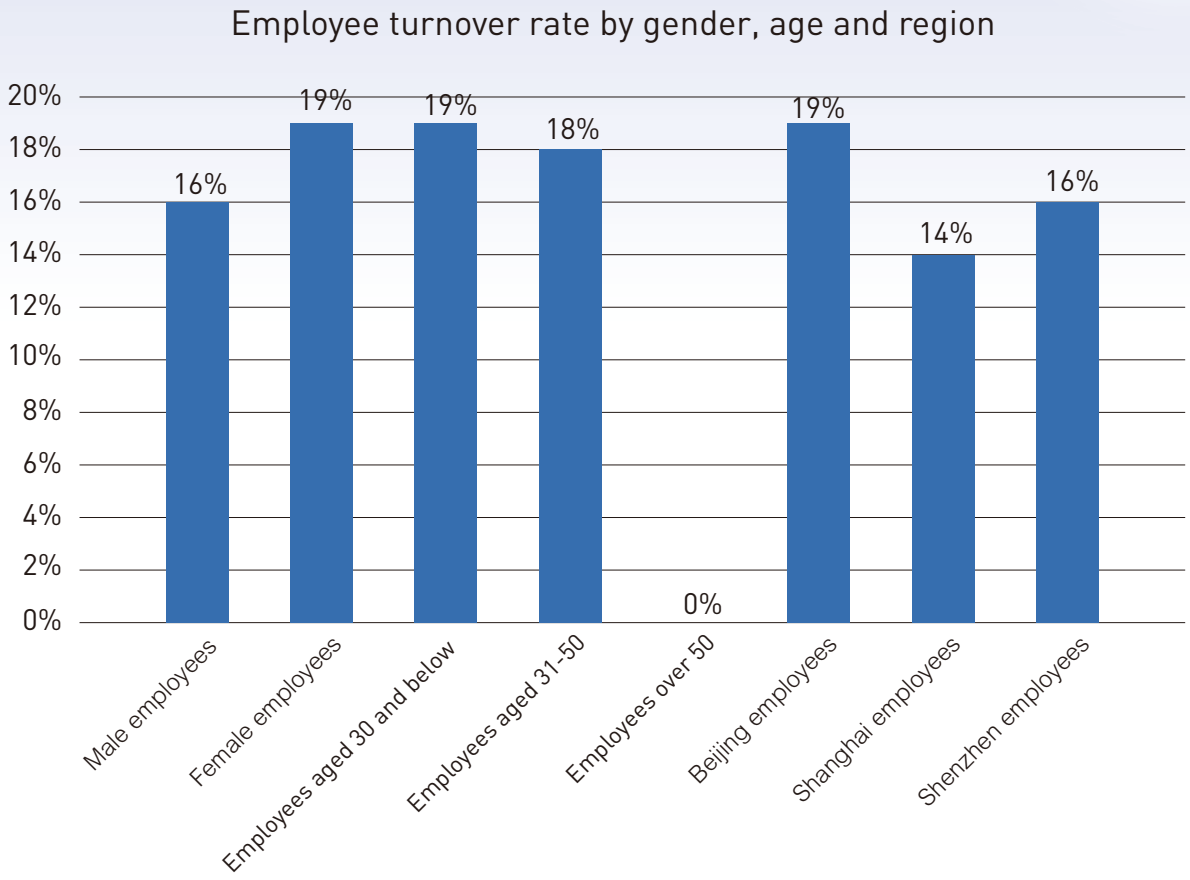


Total number of employees by age (person)



Total number of employees by region (person)





Compensation and termination

In terms of salary policy, in addition to fixed salaries, the Company implements monthly, quarterly, semi-annual and annual bonus system according to the different job levels; using short-term incentives, long-term incentives, individual incentives, team incentives parallel principles.

The Company's competitive salary, comprehensive protection, leading industry technology and the Company's good development trend enables more top talent to join the Acotec family, and also made the active turnover rate of the middle and senior level to be 0.

Working hours & holidays

The Company implements the standard working hours system, in addition to the annual leave stipulated by the state, the Company implements bonus annual leave (one additional day of paid annual leave for each year of work in the Company), male employees enjoy 15 days of paid paternity leave, and employees who meet the requirements for Women's Day and Youth Day are entitled to half a day off with pay.

Equal opportunity, diversity, anti-discrimination

Acotec operates a fair employment opportunity system that grants equal employment opportunities to applicants and employees regardless of their ethnic background, color, gender, sexual orientation, ancestry, age, disability, religion, national origin, family or marital status, civil rights, military or veteran status, gender identity, genetics, pregnancy, and other legally protected classes or characteristics, in accordance with applicable law.

3.2 Employee Care and Welfare

The Company's employee includes traditional holiday gift distribution; regular company employees are entitled to RMB300 per year for dental care; after one year at Acotec, employees receive a care allowance of RMB600 when they get married or have a child; birthday parties are held regularly and birthday gift cards are issued in the month of the employee's birthday; pantry provides freshly brewed coffee and various tea drinks throughout the day.

The Company has a variety of communication methods such as corporate email, Microsoft Teams, and work groups to ensure effective and timely communications. A mentor is set up for new employees to help them quickly integrate into the new group and provide guidance and assistance in work and life.

The employee welfare system includes supplementary medical care, accident insurance, group medical check-ups, occupational health check-ups, meal subsidies, communication subsidies, skill subsidies, etc. to give employees multi-faceted protection.

3.3 Employee Health and Safety

The Company attaches importance to the welfare of employees, aims to enhance the health and safety of employees and ensure the smooth operation of the Company, pays close attention to the safety and health of each employee, and takes a series of measures to fully protect the health and safety of employees on the basis of strict compliance with the *Work Safety Law of the People's Republic of China, Fire Protection Law of the People's Republic of China, Code of Occupational Disease Prevention of PRC* and other relevant laws and regulations. The Company has formulated the *The Occupational Disease Hazard Prevention and Control Responsibility System, Occupational Disease Hazard Warning and Notification System, Declaration System for Occupational Disease Hazard Projects, Public Education and Training System for Occupational Disease Prevention and Control, Maintenance and Repair System for Occupational Disease Protection Facilities, Management System of Occupational Disease Protective Equipment, Management System for Monitoring and Evaluation of Occupational Disease Hazards, Emergency Rescue and Management System for Occupational Disease Hazards, Other Occupational Disease Prevention and Control Systems Stipulated by Laws, Rules and Regulations and other systems*, which provide detailed regulations on the maintenance of employees' occupational health and safety.

The main sources of hazards that may bring occupational diseases during work are noise, toxic and harmful vapours emitted from chemicals. The high-risk jobs are mainly electricians.

In 2021, specific actions taken by the Company to protect the health of its employees include the following:

- Coronavirus(COVID-19) prevention:
  - In 2021, the Company organized or participated in 3 nucleic acid tests for all employees
  - The Company regularly provides medical masks for employees and disinfects the office and production areas daily
  - Separate storage and decontamination of imported goods, Sampling of related goods for nucleic acid testing
  - The Company provided assistance to quarantined employees during the outbreak
  - The Company cooperated with the local government during the epidemic to carry out relevant prevention and control work to ensure that all government requirements were in place, and no government penalties or complaints related to the epidemic occurred

- The Company provides occupational health check-ups for employees in positions with potential risk of occupational diseases

- Every year, the Company hires a professional third party to conduct environmental monitoring of the positions with occupational disease hazards to ensure that the working environment meets the requirements of national regulations

Going forward, in terms of employee health and safety, the Company will continue to support employees in high-risk jobs to receive adequate safety training and protection equipment, and for special operators the Company will provide financial support to help employees meet the requirements of special operators.

In 2021, there were no violations of relevant laws and regulations that had a significant impact on the Company.

Health and Safety		2021	2020	2019
Work-related deaths and rates	Number and percentage of people	0	0	0
Total number of work injuries	Number of people	0	1	1
Number of days lost from work due to work-related injuries	days	0	20	10

3.4 Staff Development & Training

The Company provides adequate development space for each employee, provides training opportunities for employees as much as possible, and encourages employees to learn on the job for continuous improvement and enhancement of business skills. The Company hopes that every employee will improve their business ability in all aspects through learning and grow together with the Company.

Every year, the Company will count the training needs of each department and allocate the training budget to improve the required training for employees as much as possible.The Company's training categories: new employee orientation, job training and general skills training. The training format is arranged online or offline according to different departments and training courses.

New Employee Orientation

Skill Upgrading Training

Staff Training	Length of training for the corresponding category(h)	Percentage of staff training	Average length of time(h)
Gender			
Male	1,025	59.0%	12.97
Female	4,473	79.4%	25.27
Rank classification			
Management	597	100%	31.42
Non-management	4,901	70.1%	20.68

4. GREEN SUSTAINABLE DEVELOPMENT

We always take the promotion of sustainable development as a bounden social responsibility, strictly abide by *the Law of the People's Republic of China on Environmental Protection*, the Law of the People's Republic of China on Energy Conservation and other relevant laws and regulations on environmental protection. are We are committed to practicing green concepts and building a low-carbon society.

Aiming at the joint development of economic and environmental benefits, the company develops its business while deeply implementing the concept of energy conservation and environmental protection, and takes various measures to continuously pursue clean, efficient and green development.

4.1 Emission Management

The Company has established *the Management Rules for Environmental Protection* (《環境保護管理制度》) to provide detailed requirements on the roles of departments and treatment of pollutants based on the principle of "prevention first, combined with treatment to form a comprehensive governance system". The Company adopts a comprehensive approach of reuse and conversion of harmful substances into useful materials to reduce pollutants. We will continue to implement the concept of energy saving, consumption reduction and environmental protection, and reduce emissions from the source. We will always take promoting emission and waste management, processing of environmental protection as our long-term goal, and finally realize the concept of circular economy and take the road of sustainable development.

There was no serious violation of laws and regulations related to emissions that has a significant impact on the Company during the year.

Wastewater Management

The Company mainly produces employees' domestic wastewater and industrial effluent. Domestic wastewater is the wastewater generated by employees in their daily cleaning and use of toilets, while industrial effluent is mainly water used in the sterilisation process with ethylene oxide disinfectant, and the sterilised ethylene oxide absorbs the wastewater with water.

Domestic sewage and industrial effluent are discharged into the septic tank of the local science park, it is then discharged into the sewage treatment plant through the municipal sewage pipe network for treatment after pre-treatment by septic tank sedimentation.

Exhaust Emission Management

The Company's waste gas is mainly generated during the cleaning and heat shrink tubing process, all the volatile organic gases generated (in non-methane total hydrocarbons) are collected by the closed clean room ventilation system, and then transmitted to the adsorption treatment device of activated carbon on the roof through pipelines. After adsorption treatment by activated carbon, it is lawfully discharged from the roof gas cylinder.

To reduce exhaust emissions, the Company mainly adopts process sealing to reduce organic gas volatilisation and activated carbon adsorption (activated carbon 100kg, replaced every two years). All the industrial waste gas is discharged systematically after adsorption treatment by activated carbon. The Company engages a professional third party to ensure the compliance of emission on a regular basis.

The Company plans to enhance the process sealing and reduce the discharge of pollutants through technology and equipment transformation, while assessing the adsorption efficiency of activated carbon to properly increase the frequency for carbon replacement and further reduce pollutant emission.

Waste Discharge Management

The Company mainly generates hazardous wastes including organic solvent wastes, activated carbon wastes, laboratory chemical reagent wastes, chemical liquid wastes and reagent bottle wastes. Ethanol wastes, other organic solvent wastes, and reagent bottle wastes are mainly generated in the production process, while activated carbon wastes are mainly generated by air purification equipment.

The Company manages hazardous waste in accordance with the *Good Safety Management Practice Rules for Hazardous Wastes*. Hazardous wastes generated are temporarily stored in a temporary storage premises, then they are collected by a licensed operator of hazardous wastes for processing. Hazardous wastes are properly collected, stored and transported in accordance with *the Technical Specifications for the Collection, Storage, Transportation of Hazardous Waste and Regulations of Beijing Municipality on the Prevention and Control of Environmental Pollution by Hazardous Waste*. The Company uses the original chemical packaging and containers for treating and recycling hazardous wastes to reduce the packaging materials used and hazardous wastes generated. The Company plans to gradually reduce the use of hazardous chemicals through process reform to minimise hazardous wastes generated in the future.

Noise Management

All air compressors and air-conditioning units are located in special equipment rooms where sound insulation and noise reduction equipment measures are implemented. Noise generated during the operation is mitigated by the use of advanced low-noise equipment, basic shock absorption, and workshop sound insulation. The exhaust gas purification equipment is located on the roof and low-noise equipment is used. Noise reduction measures such as vibration reduction, sound insulation cover and soft connection are also adopted. Noise is emitted in accordance with the three standard limits specified in the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008).

4.2 Energy and Resource Use

The energy required for the Company's operation is mainly electricity, and the main energy-consuming facilities include air conditioning units required for temperature and humidity control in the Company's clean area, air compressors, reverse osmosis purified water equipment, various equipment in production workshops, workshop and office lighting, etc.

During 2021, the Company renovated the air-conditioning unit for temperature and humidity control in the clean area to save energy and reduce consumption as the unit consumes most electricity. When the air-conditioning unit is operating in a normal mode of the compressor unit, heating unit, humidification unit and blower unit, the temperature and humidity of the clean workshop is under good control to meet the specification requirements and ensure the smooth manufacturing of products. When the manufacturing process is completed, the air-conditioning unit automatically switches to the standby mode, and there is no need for temperature and humidity to meet any standard. The compressor unit, humidification unit, and heating unit all stop working, only the blower is operating at a low speed to maintain a positive pressure and cleanliness in the clean workshop and avoid contamination. The renovated unit saves more than half of the electric energy, thus significantly reduces the electricity consumption.

The Company has also adopted the following measures to save energy: it has used energy-saving LED lights for office lighting which saves more than half of the electricity compared to the original fluorescent lamps; it advocates green office, saves paper and avoids excessive consumption; it responds to the national call for environmental protection activities such as environmental protection educational activities and recycling of packaging materials and plastic bottles.

The Company relies on the municipal water supply network mainly for its production and domestic use. It only consumes a small volume of water in its operating activities and water supply facilities are provided by landlords of local science parks. The Company's Management Rules for Environmental Protection specify the requirements on water running, flowing, dripping and leaking. To save water resources, the Company plans to strengthen the promotion and dissemination of water-saving information to raise employees' awareness of water saving.

To answer the call for green office, the Company adopted measures such as providing office supplies to departments on a monthly basis to limit consumption, environmental protection posters at office and double-sided printing to reduce paper consumption.

The company's goal in energy and water resources management is to improve the effective utilization of energy and water resources, and to maximize the environmental and economic benefits of energy and water resources on the premise of meeting the business activities. During the year, the company did not have any problems in obtaining suitable water sources.

In terms of the use of packaging materials, according to the nature of the company's products, the amount of packaging materials used in our products is small, and the resources used in packaging materials have less impact on the environment.

Due to the nature of the company's business, our operations do not involve substantial consumption of natural resources or significant impact on the environment.

4.3 Responding to Climate Change

For the extreme weather that may be caused by climate change, the Company may face the challenge of extreme weather such as windstorm, heavy rain and snowstorm. In this regard, the Company has formulated a "The Special Plan for Extreme Weather Response", which explains everything from prevention and warning to post-disaster self-help to deal with extreme weather or natural disasters. The Company will also take relevant measures in accordance with the contingency plan to minimize the negative impact and ensure the normal operation of the company in the event of extreme weather.

We are actively responding to the national carbon peaking and carbon neutrality goals (3060 target) and promoting CO2-based greenhouse gas emission reductions in the context of climate change. We have taken measures to save energy, improve the ecological environment and improve the management of emissions to make unremitting efforts to achieve the 3060 target.

Environmental Performance

Statistical Data	Unit	2021
Total Hazardous Waste Generated	Kg	14,514.00
Waste liquid, waste packaging generated by Production and experiments, etc.	Kg	14,514.00
Total Non-hazardous Waste Generated	Kg	23,000.00
Domestic waste	Kg	23,000.00
Total production effluent	m^3	391.00
Total GHG Emissions[1,2]	tCO_2-e	935.82
Indirect GHG Emissions	tCO_2-e	935.82
Total GHG Emissions Intensity	tCO_2-e/person	2.62
Exhaust gas	Kg	117.70
Total Electricity Consumption	KWh	1,533,887.00
Total Water Consumption	m^3	6,503.10
Tap water	m^3	6,438.00
Drinking water	m^3	65.10
Total product packaging	Kg	49,400.00
Paper usage	Kg	26,000.00
Recycle waste paper	Kg	23,400.00

1 Calculation Method of Greenhouse Gas:
Direct GHG Emissions: The company's energy consumption times the corresponding emission factors. Emission factors refer to ①CHINA ENERGY STATISTICAL YEARBOOK ②IPCC 2006.
Indirect GHG Emissions: The amount of electricity purchased by the company times the corresponding emission factors. Emission factors refer to the Ministry of Ecology and Environment's Guidelines for Verification of Corporate Greenhouse Gas Emission Reports (Trial).
Total GHG Emissions: Direct GHG emissions and indirect GHG emissions are summed.

2 Since the company consumed very little energy other than electricity during the year, direct greenhouse gas emissions were zero.`

APPENDIX

Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guidelines Content Index

	Environmental, Social and Governance Reporting Guide	Report Content
A. Environmental		
Aspect A1: Emissions		
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4.1 Emission Management
A1.1	The types of emissions and respective emissions data.	4. Green Sustainable Development
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4. Green Sustainable Development
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4. Green Sustainable Development
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4. Green Sustainable Development
A1.5	Description of emission target(s) set and steps taken to achieve them.	4.1 Emission Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.1 Emission Management
Aspect A2: Use of Resources		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	4.2 Energy and Resource Use
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4. Green Sustainable Development
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4. Green Sustainable Development
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4.2 Energy and Resource Use
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.2 Energy and Resource Use
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Explained

Environmental, Social and Governance Reporting Guide		Report Content
Aspect A3: The Environment and Natural Resources		
A3	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	Explained
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Explained
Aspect A4: Climate Change		
A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.3 Responding to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.3 Responding to Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	3.1 Safeguarding Employee Rights
B1.1	Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region.	3.1 Safeguarding Employee Rights
B1.2	Employee turnover rate by gender, age group and geographical region.	3.1 Safeguarding Employee Rights
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.2 Employee Care and Welfare
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	3.2 Employee Care and Welfare
B2.2	Lost days due to work injury.	3.2 Employee Care and Welfare
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	3.2 Employee Care and Welfare

Environmental, Social and Governance Reporting Guide		Report Content
Aspect B3: Development and Training		
B3	General Disclosure	3.4 Staff Development & Training
	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	3.4 Staff Development & Training
B3.2	The average training hours completed per employee by gender and employee category.	3.4 Staff Development & Training
Aspect B4: Labour Standards		
B4	General Disclosure	3.1 Safeguarding Employee Rights
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	3.1 Safeguarding Employee Rights
B4.2	Description of steps taken to eliminate such practices when discovered.	3.1 Safeguarding Employee Rights
Operating Practices		
Aspect B5: Supply Chain Management		
B5	General Disclosure	2.2 Sustainable Supply Chain
	Policies on managing environmental and social risks of the supply chain.	
B5.1	Number of suppliers by geographical region.	2.2 Sustainable Supply Chain
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	2.2 Sustainable Supply Chain
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2.2 Sustainable Supply Chain
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	2.2 Sustainable Supply Chain

Environmental, Social and Governance Reporting Guide		Report Content
Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.1 Product Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.1 Product Responsibility
B6.2	Number of products and service related complaints received and how they are dealt with.	2.1 Product Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	1.2 Intellectual Property Management
B6.4	Description of quality assurance process and recall procedures.	2.1 Product Responsibility
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.1 Product Responsibility
Aspect B7: Anti-corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	2.3 Operating with integrity and compliance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	2.3 Operating with integrity and compliance
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	2.3 Operating with integrity and compliance
B7.3	Description of anti-corruption training provided to directors and staff.	2.3 Operating with integrity and compliance
Community		
Aspect B8: Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	2.4 Giving back to the community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Explained
B8.2	Resources contributed (e.g. money or time) to the focus area.	Explained

Independent Auditor's Report

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
ACOTEC SCIENTIFIC HOLDINGS LIMITED
先瑞達醫療科技控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Acotec Scientific Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 95 to 168, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

KEY AUDIT MATTER *(continued)*

Key Audit Matter	How the matter was addressed in our audit
We identified revenue recognition from contracts with customers arising from sales to distributors as a key audit matter because the amounts are significant to the consolidated statement of profit or loss and other comprehensive income. Furthermore, revenue from contracts with customers is one of key performance indicators of the Group's management and therefore there is a high inherent risk of misstatement. As disclosed in note 6 to the consolidated financial statements, the Group recognised revenue from contracts with customers arising from sales to distributors amounting to RMB291,582,000 for the year ended December 31, 2021.	Our audit procedures to assess the recognition of revenue arising from sales to distributors included the followings: • Understanding the internal control processes in relation to revenue recognition arising from sales to distributors; • Inspecting sales contracts with distributors, on a sample basis, to understand the agreed trade terms and assess whether the related revenue was properly recognized in accordance with respective sales contracts and with reference to the requirements of the prevailing accounting standards; • Testing recorded sales transactions on a sample basis against corresponding goods delivery notes and acceptance confirmations from distributors that evidenced the delivery of the goods and controls have been passed; and • Obtaining confirmations for the sales of goods for the year with distributors, on a sample basis, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying supporting documents for actual delivery.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Rossana Ley Pui Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 29, 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	NOTES	Year ended December 31, 2021 RMB'000	2020 RMB'000
Revenue	6	**303,813**	193,975
Cost of sales		**(37,874)**	(30,195)
Gross profits		**265,939**	163,780
Other income	7	**11,433**	4,645
Other gains and losses, net	8	**(8,837)**	730
(Loss) gain on fair value change of preferred shares		**(33,458)**	447
Impairment losses under expected credit loss model, net of reversal		**813**	(1,130)
Selling and distribution expenses		**(58,801)**	(32,581)
Research and development expenses		**(141,288)**	(83,487)
Administrative expenses		**(58,091)**	(72,112)
Listing expenses		**(41,129)**	(10,317)
Finance costs	9	**(3,824)**	(1,422)
Loss before tax		**(67,243)**	(31,447)
Income tax expense	10	**(11,834)**	(12,845)
Loss and total comprehensive expense for the year	11	**(79,077)**	(44,292)
Loss and total comprehensive expense attributable to:			
Owners of the Company		**(79,077)**	(43,842)
Non-controlling interest		**–**	(450)
		(79,077)	(44,292)
Loss per share			
– Basic (RMB Yuan)	14	**(0.32)**	(0.24)
– Diluted (RMB Yuan)		**(0.32)**	(0.24)

Consolidated Statement of Financial Position

As at December 31, 2021

	NOTES	As at December 31, 2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	**33,398**	22,655
Right-of-use assets	16	**16,836**	19,947
Intangible assets	17	**2,995**	2,000
Rental deposits		**2,503**	1,834
Deposits paid for acquisition of property, plant and equipment		**6,688**	2,188
Deferred tax assets	18	**271**	4,926
Goodwill	19	**1,150**	1,150
		63,841	54,700
Current assets			
Inventories	20	**41,553**	28,538
Trade and bill receivables	21	**44,214**	29,518
Prepayments, deposits and other receivables	22	**18,824**	9,599
Amount due from a shareholder		**–**	227
Amount due from a preferred shareholder		**–**	3,262
Bank balances and cash	23	**1,137,184**	147,097
Pledged bank deposits	24	**1,750**	–
		1,243,525	218,241
Current liabilities			
Trade and other payables	25	**62,159**	35,746
Dividend payable	13	**–**	326,245
Contract liabilities	26	**8,016**	8,432
Tax payable		**5,131**	6,511
Provisions	27	**–**	1,511
Lease liabilities	28	**6,806**	5,679
Bank borrowings	29	**6,000**	20,000
		88,112	404,124
Net current assets (liabilities)		**1,155,413**	(185,883)
Total assets less current liabilities		**1,219,254**	(131,183)

Consolidated Statement of Financial Position

As at December 31, 2021

	NOTES	As at December 31, 2021 RMB'000	2020 RMB'000
Capital and reserves (deficits)			
Share capital	30	**20**	14
Reserves (deficits)		**1,207,174**	(281,023)
Total equity (net deficits)		**1,207,194**	(281,009)
Non-current liabilities			
Lease liabilities	28	**11,765**	15,736
Preferred shares	31	**–**	133,760
Deferred tax liabilities	18	**295**	330
		12,060	149,826
		1,219,254	(131,183)

The consolidated financial statements on pages 95 to 168 were approved and authorised for issue by the Board of Directors on March 29, 2022 and are signed on its behalf by:

Ms. Jing LI	**Mr. Ke TANG**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Shares held under RSU Scheme RMB'000	Share-based payments reserve RMB'000	Capital reserve RMB'000 (Note a)	Other reserve RMB'000 (Note b)	People's Republic of China statutory reserve RMB'000 (Note c)	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity (net deficits) RMB'000
At January 1, 2020	9,839	-	-	-	170,596	-	1,606	(145,022)	37,019	-	37,019
Loss and total comprehensive expense for the year	-	-	-	-	-	-	-	(43,842)	(43,842)	(450)	(44,292)
Transfer to statutory reserve	-	-	-	-	-	-	894	(894)	-	-	-
Dividend recognised as distribution (note 13)	-	(327,255)	-	-	-	-	-	-	(327,255)	-	(327,255)
Acquisition of a subsidiary (note 34)	-	-	-	-	-	-	-	-	-	3,062	3,062
Acquisition of non-controlling interest in a subsidiary (note 34)	-	-	-	-	-	1,113	-	-	1,113	(2,612)	(1,499)
Effect from Group Reorganisation (as defined in note 2)	(9,825)	59,882	-	-	(50,057)	-	-	-	-	-	-
Recognition of equity-settled share-based payment granted by CA Medtech Investment (Cayman) Limited (note 32)	-	-	-	-	51,956	-	-	-	51,956	-	51,956
At December 31, 2020	14	(267,373)	-	-	172,495	1,113	2,500	(189,758)	(281,009)	-	(281,009)
Loss and total comprehensive expense for the year	-	-	-	-	-	-	-	(79,077)	(79,077)	-	(79,077)
Issuance of shares for RSU Scheme (as defined in note 32)	1	-	(1)	-	-	-	-	-	-	-	-
Shares issued under an employee incentive platform (note 32)	1	72,745	-	33,356	-	-	-	-	106,102	-	106,102
Issuance of preferred shares as deemed distribution (note 31)	(1)	-	-	-	-	(103,532)	-	-	(103,533)	-	(103,533)
Share issued upon global offering (note d)	4	1,358,467	-	-	-	-	-	-	1,358,471	-	1,358,471
Share issue costs (note d)	-	(64,511)	-	-	-	-	-	-	(64,511)	-	(64,511)
Conversion of preferred shares upon global offering (note e)	1	270,750	-	-	-	-	-	-	270,751	-	270,751
At December 31, 2021	20	1,370,078	(1)	33,356	172,495	(102,419)	2,500	(268,835)	1,207,194	-	1,207,194

Notes:

a. Capital reserve comprises:

(1) An amount of RMB168,621,000, representing the capital injection from immediate holding company in prior years.

(2) An amount of RMB1,975,000, representing deemed contribution from immediate holding company through waiver of amount due to immediate holding company during the year ended December 31, 2019.

(3) The debit amount of RMB50,057,000, representing the difference between (i) Pine Medical Limited's share capital and (ii) the Company's share capital and share premium upon completion of the Group Reorganisation (as defined in note 2).

(4) An amount of RMB51,956,000, representing the effect of share-based payment transaction in relation to the shares of immediate holding company, CA Medtech Investment (Cayman) Limited, issued to the management of the Group. Details are set out in note 32.

b. Other reserve comprises:

(1) An amount of RMB1,113,000, representing the difference between the consideration paid and the carrying amount of the net assets attributable to the non-controlling interest in VascuPatent Medical (Shenzhen) Co., Ltd., a subsidiary of the Group being acquired during the year ended December 31, 2020.

(2) The debit amount of RMB103,532,000, representing the difference between the par value of share capital and fair value of preferred shares of the Company upon the redesignation and reclassification of ordinary shares as preferred shares. Details are set out in note 31.

c. The reserve represents the statutory reserve of a subsidiary in the People's Republic of China (the "**PRC**"). Pursuant to applicable PRC regulations, the PRC subsidiary in the Group is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of its registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the paid-up capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

d. On August 24, 2021, the Company issued a total of 68,633,000 ordinary shares of United States dollars ("**USD**") 0.00001 each at the price of Hong Kong Dollar ("**HK$**") 23.8 per share by means of global offering. Transaction costs of the issuance of these new shares were incurred and charged against equity.

e. All the issued preferred shares were re-designated as ordinary shares on 1:1 basis upon the global offering on August 24, 2021. The principal amount of these preferred shares and the cumulative changes in fair value are capitalised as share capital and share premium accordingly.

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(67,243)**	(31,447)
Adjustments for:		
Interest income	**(4,725)**	(41)
Finance costs	**3,824**	1,422
Depreciation of property, plant and equipment	**4,104**	937
Depreciation of right-of-use assets	**5,111**	4,170
Exchange gain	**(175)**	(563)
Amortisation of intangible assets	**494**	254
Impairment losses under expected credit loss model, net of reversal	**(813)**	1,130
Write-down for inventories	**2,016**	3,845
Loss (gain) on disposal of property, plant and equipment	**95**	(3)
Gain on fair value change of financial assets at fair value through profit or loss ("**FVTPL**")	**(57)**	(588)
Loss (gain) on fair value change of preferred shares	**33,458**	(447)
Share-based payment cost	**33,356**	51,956
Operating cash flows before movements in working capital	**9,445**	30,625
(Increase) decrease in inventories	**(12,337)**	2,948
Increase in trade and bill receivables	**(13,883)**	(26,211)
Increase in prepayments, deposits and other receivables	**(10,872)**	(1,374)
Decrease in amount due from a shareholder	**227**	–
Increase in trade and other payables and provisions	**25,952**	13,932
Decrease in refund liabilities	**–**	(22,896)
(Decrease) increase in contract liabilities	**(416)**	902
Cash used in operations	**(1,884)**	(2,074)
Income taxes paid	**(8,594)**	(6,691)
NET CASH USED IN OPERATING ACTIVITIES	**(10,478)**	(8,765)

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	NOTE	Year ended December 31, 2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Acquisition of a subsidiary	34	**–**	672
Payment of rental deposits		**(669)**	(437)
Purchases of property, plant and equipment		**(20,360)**	(18,506)
Proceeds from disposal of property, plant and equipment		**–**	11
Purchases of intangible assets		**(878)**	(121)
Purchase of financial assets at FVTPL		**(39,000)**	(97,000)
Proceeds from disposal of financial assets at FVTPL		**39,057**	97,588
Advance to a fellow subsidiary		**–**	(3,269)
Repayment from a fellow subsidiary		**–**	3,286
Interest received		**3,124**	41
Placement of pledged bank deposits		**(1,750)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(20,476)**	(17,735)
FINANCING ACTIVITIES			
Acquisition of non-controlling interest of a subsidiary		**–**	(1,499)
Repayments of lease liabilities		**(6,145)**	(4,392)
Proceeds from issuance of preferred shares		**3,262**	130,945
Proceeds from issuance of shares under employee incentive platform		**72,746**	–
New bank borrowings raised		**152,772**	20,000
Repayment of bank borrowings		**(166,696)**	–
Interest paid		**(3,824)**	(1,422)
Proceeds from issue of shares		**1,358,471**	–
Payments of shares issue costs		**(63,399)**	(1,112)
Dividend paid		**(323,085)**	–
NET CASH FROM FINANCING ACTIVITIES		**1,024,102**	142,520
NET INCREASE IN CASH AND CASH EQUIVALENTS		**993,148**	116,020
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**147,097**	31,524
Effect of foreign exchange rate changes		**(3,061)**	(447)
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash		**1,137,184**	147,097

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

1. GENERAL

Acotec Scientific Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on December 3, 2020 as an exempted company with limited liability under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its parent is CA Medtech Investment (Cayman) Limited ("**CA Medtech**"), incorporated in the Cayman Islands and its ultimate parent is CPE Holdings International Limited, which is owned by a number of shareholders that are natural persons and none of whom controls CPE Holdings International Limited. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited ("**HKEX**") with effect from August 24, 2021.

The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is 4-5/F., Building No. 1, No.16 Hongda Road North, Beijing Economic-Technological Development Area, Beijing, the PRC.

The Company is an investment holding company and the Company became the holding company of the entities now comprising the Company and its subsidiaries (collectively referred as the "**Group**") upon completion of the Group Reorganisation (as defined and set out in note 2). The Group is principally engaged in research and development of Percutaneous Transluminal Angioplasty ("**PTA**") balloons and drug-coated balloons ("**DCB**") products.

The consolidated financial statements are presented in Renminbi ("**RMB**") which is also the functional currency of the Company and the subsidiaries located in Mainland China and Hong Kong.

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared based on the accounting policies set out in note 4 which conform with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and conventions applicable for group reorganisation.

Pine Medical Limited was the holding company of the Group prior to the group reorganisation. Pursuant to the group reorganisation as set out below ("**Group Reorganisation**"), on December 28, 2020, CA Medtech transferred the entire 12,000,000 ordinary shares it then held in Pine Medical Limited to the Company. As consideration for the share transfer, the Company issued 164,610,521 new ordinary shares to CA Medtech at the same date. Upon completion of such share exchange, the Company became the holding company of the Group and Pine Medical Limited became a wholly owned subsidiary of the Company. The Group comprising the Company and its subsidiaries resulting from this Group Reorganisation is regarded as a continuing entity. On December 29, 2020, CA Medtech repurchased 42,720,647, 4,272,065, 2,000,000 of its shares granted to a company controlled by the general manager of the Group, the chief operating officer of the Group and a company controlled by the chief medical officer (as disclosed in note 32). As consideration for the repurchased shares, the Company issued 42,720,647, 4,272,065, 2,000,000 of its ordinary shares to these parties, respectively, on the same date.

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended December 31, 2020 have been prepared as if the Company had always been the holding company of the companies now comprising the Group and the current group structure had been in existence during the year ended December 31, 2020, or since their respective dates of incorporation/establishment or acquisition, where it is a shorter period.

3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied all International Accounting Standards, IFRSs and amendments that are effective for the annual periods beginning on or after January 1, 2021 for the preparation of the consolidated financial statements.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board (the "**IASB**") issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories, including royalty fees and distribution expenses. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

New and Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	*Insurance Contracts and the related Amendments*[3]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendment to IFRS 16	*Covid-19 Related Concession Rent beyond 30 June 2021*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to IFRS Standards	*Annual Improvements to IFRS Standards 2018–2020*[2]

1 Effective for annual periods beginning on or after April 1, 2021
2 Effective for annual periods beginning on or after January 1, 2022
3 Effective for annual periods beginning on or after January 1, 2023
4 Effective for annual periods beginning on or after a date to be determined

Except for the amendments to IAS 12 mentioned below, the directors of the Group anticipate that the application of other new and amendments to IFRSs will have no material impact on the Group's financial position and performance and/or the disclosures to the financial statements when they become effective.

3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

New and Amendments to IFRSs in issue but not yet effective *(continued)*

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 4 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. As at December 31, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB16,836,000 and RMB18,571,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with IFRSs issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on HKEX ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases* ("**IFRS 16**"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* ("**IAS 12**") and IAS 19 *Employee Benefits* respectively; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Investment in a subsidiary

Investment in a subsidiary is included in the statement of financial position of the Company at cost less any identified impairment loss.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Variable consideration

For contracts that contain variable consideration (i.e. incentive programme offered to platform distributors), the Group estimates the amount of consideration to which it will be entitled using the expected value method.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Sale with a right of exchange

For a sale of products with a right of exchange for dissimilar products, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be exchanged); and

(b) a contract liability.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expenses on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee *(continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Payments to the state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Share-based payments

Shares granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Share-based payments *(continued)*

Shares granted to employees *(continued)*

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss and accumulated in share-based payments reserve.

For shares granted from a parent company to the employees of the Group, the relevant share-based payments would be recognised as an expenses of the Group and capital contribution from the parent company.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually, or when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or the group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or the group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the year. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

(i) Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses, net" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and bill receivables, amount due from a shareholder, amount due from a preferred shareholder, other receivables and rental deposits, bank balances and pledged bank deposits) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL for these assets are assessed individually for debtors with significant balances and credit-impaired balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition in which case, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk
In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor ´s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by recognising the corresponding adjustment through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, dividend payable, refund liabilities and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Preferred shares

The preferred shares that the Group has contractual obligation to redeem and the conversion option of which may be settled by the exchange of variable number of the Group's own equity are measured at FVTPL. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of preferred shares is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability. Fair value is determined in the manner described in note 31.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Research and development expenses

Development expenses incurred on the Group's procedural medical product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determines whether the criteria are met for capitalisation. During the year ended December 31, 2021, all research and development costs are expensed when incurred.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less both incremental costs and other cost necessary to sell inventories. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions. Management reassesses these estimates at the end of the reporting period. As at December 31, 2021, the carrying amount of inventories are RMB41,553,000 (net of allowance for inventories of RMB3,466,000) (2020: RMB28,538,000 (net of allowance for inventories of RMB4,293,000)).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Sales with a right to exchange

Sales contracts with certain distributors allow certain distributors to exchange for unsold products with expiry date less than six months. Therefore, the Group has recognised a contract liability arising from sales with a right to exchange. Revenue for the products expected to be exchanged would not be recognised based on historical product exchange rate. Changing of the product exchange rate by certain distributors could materially affect the revenue amount.

At December 31, 2021, contract liabilities arising from sales with a right to exchange are RMB1,316,000 (2020: RMB2,476,000).

6. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Type of goods		
PTA balloons	**4,581**	3,696
DCB	**299,165**	190,279
Others	**67**	–
Total	**303,813**	193,975
Type of customer		
Distributors	**291,582**	182,179
Hospitals	**5,578**	5,922
Oversea customers	**6,653**	5,874
Total	**303,813**	193,975

The Group mainly sells PTA balloons and DCB to its distributors. During the years ended December 31, 2021 and 2020, based on the sales contract terms, the Group normally request 50%-100% advances from distributors upon signing sales agreements or placing orders.

Additional goods will be awarded to certain distributors' customers with nil consideration when certain distributors' customers have made cumulative amount of purchases within three months. Additional goods are normally provided based on 3%-5% of the purchase amounts made by these customers. The Group estimates the amounts of consideration to which it will be entitled for the additional goods using the expected value method and the consideration is then deferred as contract liabilities.

6. REVENUE AND SEGMENT INFORMATION *(continued)*

During the year ended December 31, 2021, and after August 2020, the Revenue is recognised at a point in time upon the receipts of the products by the distributors. Prior to the August 2020, the Group had a unilateral right to terminate the sales contracts with the certain distributors and refunded the deposits to certain distributors in exchange of goods returned to the Group. The certain distributors do not obtain the control of the products before sales are made to certain distributors' customers because the Group had the ability to request return of products. Revenue was then recognised at a point in time upon the receipts of the products by the certain distributors' customers. Started from September 2020, the Group had entered into the new sales contracts with certain distributors to remove the Group's unilateral right to terminate the sales contracts. Revenue is recognised at a point in time when the certain distributors obtain the control of products, i.e. upon the receipts of the products by the certain distributors.

Based on the Group's sales contracts with the distributors, except the right to exchange for certain unsold products with expiry date less than six months, they can only return or request for refund if the product delivered to them does not meet the pre-specified quality requirement; otherwise, the Group does not accept product returns without the management's consent.

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of the products as the Group's contract has an original expected duration of less than one year.

Segment information

For the purpose of resource allocation and assessment of segment performance, the management of the Group, being the chief operating decision maker, focuses and reviews on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

All of the Group's non-current assets are located in the PRC.

Information about the Group's revenue from external customers is presented based on the location of the customers.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Mainland China	**297,160**	188,101
Europe	**4,315**	4,149
Others	**2,338**	1,725
	303,813	193,975

6. REVENUE AND SEGMENT INFORMATION *(continued)*

Major customers

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Customer A	**226,658**	144,841

7. OTHER INCOME

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Government grants (note)	**6,708**	4,604
Interest income from bank deposits	**4,725**	41
	11,433	4,645

Note:

Government grants mainly represent (i) rebates granted with reference to taxes paid by Tianjin Xianruida Medical Technology Co., Ltd., a subsidiary of the Company, pursuant to Ordinances for Promoting Industrial Development of Tianjin Eco-city and (ii) subsidies received from the Beijing Economic-Technology Development Area to reward enterprises for their contribution to the economic growth. There is no condition attached or contingencies relating to the grants.

8. OTHER GAINS AND LOSSES, NET

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Gain on fair value change of financial assets measured at FVTPL	**57**	588
Net exchange (loss) gain	**(8,785)**	133
(Loss) gain on disposal of property, plant and equipment	**(95)**	3
Others	**(14)**	6
	(8,837)	730

9. FINANCE COSTS

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Interest expenses on lease liabilities	**1,022**	1,022
Interest expenses on bank borrowings	**2,802**	400
	3,824	1,422

10. INCOME TAX EXPENSE

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Current enterprise income tax	**7,214**	8,930
Deferred tax (note 18)	**4,620**	3,915
	11,834	12,845

No Hong Kong profits tax was provided for as there was no estimated assessable profits of the company that was subject to Hong Kong profits tax for both years

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The subsidiary in the United States of America are subject to Federal Income tax at a tax rate of 21% and the State Income tax of 7.25%.

10. INCOME TAX EXPENSE *(continued)*

Acotec Scientific Co., Ltd. has been accredited as a "New and High Technical Enterprise" by the Science and Technology Bureau of Beijing and relevant authorities in December 2020 for a term of three years from 2020 to 2022. In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprise is subject to income tax at a tax rate of 15%.

Pursuant to Caishui [2016] No. 52 issued by the State Council of PRC, with effect from May 1, 2016, Acotec Scientific Co., Ltd is accredited as a "Social Welfare Entity", an amount equivalent to the total salaries paid to staff with physical disability is further deducted from the taxable income.

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss before tax	**(67,243)**	(31,447)
Tax at the applicable tax rate of 25%	**(16,811)**	(7,862)
Tax effect of expenses not deductible for tax purpose	**33,241**	16,328
Tax effect of income not taxable for tax purpose	**–**	(253)
Effect of additional tax deduction for research and development expenses	**(26,948)**	(11,194)
Additional tax benefits to a Social Welfare Entity	**(17)**	(16)
Tax effect of deductible temporary differences not recognised	**532**	1,110
Tax effect on tax losses not recognised	**25,421**	14,834
Utilisation of tax losses previously not recognised	**(630)**	–
Effect on different tax rate of subsidiaries	**(2,954)**	(102)
	11,834	12,845

Details of deferred taxation refers to note 18.

11. LOSS FOR THE YEAR

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration (note 12)	**6,577**	56,094
Other staff costs		
– Salaries, bonus and other benefits	**85,733**	49,785
– Retirement benefits scheme contributions	**5,996**	228
– Share-based payments (note 32)	**33,356**	2,121
Total staff costs	**131,662**	108,228
Auditors' remuneration	**2,000**	176
Cost of inventories recognised as an expense	**20,569**	16,329
Royalty fees (included in cost of sales)	**15,289**	10,021
Write-down of inventories	**2,016**	3,845
Loss (gain) on disposal of property, plant and equipment	**95**	(3)
Depreciation of property, plant and equipment	**5,497**	2,180
Depreciation of right-of-use assets	**6,412**	5,416
Amortisation of intangible assets	**494**	254
Total depreciation and amortisation	**12,403**	7,850
Capitalised in inventories	**(2,694)**	(2,489)
	9,709	5,361

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive officer' emoluments

Details of the emoluments paid to the individuals who were appointed as the directors and chief executive officer of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

	Year ended December 31, 2021					
	Fee RMB'000	Salaries and other allowances RMB'000	Retirement benefits schemes contributions RMB'000	Discretionary bonus (note) RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors						
Jing LI (note b) (Chief executive officer)	–	2,701	82	1,942	–	4,725
Silvio Rudolf SCHAFFNER (note c)	–	1,654	–	–	–	1,654
	–	4,355	82	1,942	–	6,379
Non-executive directors						
Ke TANG (note d)	–	–	–	–	–	–
Chen CHEN (note e)	–	–	–	–	–	–
Total	–	–	–	–	–	–
Independent non-executive directors						
Kin Yee POON (note f)	66	–	–	–	–	66
Yuqi WANG (note f)	66	–	–	–	–	66
Hong NI (note f)	66	–	–	–	–	66
	198	–	–	–	–	198
Total	198	4,355	82	1,942	–	6,577

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Directors' and chief executive officer' emoluments *(continued)*

	Year ended December 31, 2020					
	Fee RMB'000	Salaries and other allowances RMB'000	Retirement benefits schemes contributions RMB'000	Discretionary bonus (Note) RMB'000	Share-based payments RMB'000	Total RMB'000
Executive director						
Jing LI (note b) (Chief executive officer)	–	2,151	29	442	45,305	47,927
Executive directors						
Ke TANG (note d)	–	–	–	–	–	–
Silvio Rudolf SCHAFFNER (note c)	–	3,637	–	–	4,530	8,167
	–	5,788	29	442	49,835	56,094
Non-executive director						
Chen CHEN (note e)	–	–	–	–	–	–
Total	–	5,788	29	442	49,835	56,094

Notes

a: The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

b: Jing LI was appointed as a director on December 3, 2020 and appointed as the chairperson of the Board and re-designated as an executive director on January 29, 2021.

c: Silvio Rudolf SCHAFFNER was appointed as a director on December 3, 2020 and re-designated as an executive director on January 29, 2021.

d: Ke TANG was appointed as executive director on December 3, 2020 and was re-designated as non-executive director on January 29, 2021.

e: Chen CHEN was appointed as non-executive director on December 3, 2020.

f: Kin Yee POON, Yuqi WANG and Hong NI were appointed as an independent non-executive director on January 29, 2021 and effective from the listing on HKEX with effect from August 24, 2021.

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(continued)*

Five highest paid employees

The five highest paid employees of the Group during the year included one director (2020: two directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining four (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Salaries and other benefits	**6,139**	3,571
Retirement benefits scheme contributions	**310**	60
Discretionary bonus (note)	**4,572**	868
Share-based payments	**20,060**	2,121
	31,081	6,620

Note: Discretionary bonus is determined by reference to the duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended December 31,	
	2021	2020
	No. of employee	No. of employee
Emoluments bands in Hong Kong Dollars ("**HK$**")		
HK$1,500,000 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$6,500,001 to HK$7,000,000	**1**	–
HK$8,500,001 to HK$9,000,000	**1**	–
HK$9,000,001 to HK$9,500,000	**1**	–
HK$12,500,001 to HK$13,000,000	**1**	–
	4	3

During the year ended December 31, 2021, no emoluments were paid by the Group to any of the executive directors, non-executive director, independent non-executive director or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2020: nil). None of the directors and chief executive has waived any emoluments during the year December 31, 2021 (2020: nil).

13. DIVIDEND

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Dividend to the immediate holding company of the Company recognised as distribution during the year:		
2020 interim – United States dollars ("**USD**") 0.30375 per share, in aggregate USD50,000,000 (equivalent to RMB327,255,000)	**–**	327,255

The dividend payable as at December 31, 2020 which represented the 2020 interim dividend amounted to USD50,000,000 (equivalent to RMB326,245,000), has been settled during the year ended December 31, 2021.

No dividend was proposed for ordinary shareholders of the Company during 2021, nor has any final dividend been proposed since the end of the reporting period (2020: nil).

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Year ended December 31,	
	2021	2020
Loss for the year attributable to the owners of the Company for the purpose of calculating basic and diluted per share (RMB'000)	**(79,077)**	(43,842)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**248,065,296**	186,295,821

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that the Group reorganisation as disclosed in the prospectus of the global offering of the Company had been effected since January 1, 2020.

Diluted loss per share for the year ended December 31, 2021 did not assume conversion of preferred shares and exercise of over-allotment option (2020: did not assume conversion of preferred shares), as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2021 and 2020 are the same as basic loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Machineries	Motor vehicles	Furniture, equipment and tools	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At January 1, 2020	9,490	304	4,841	14,672	29,307
Additions	11,952	–	1,767	4,126	17,845
Acquired on acquisition of a subsidiary (note 34)	–	–	11	–	11
Disposals	(183)	–	(11)	–	(194)
At December 31, 2020	**21,259**	**304**	**6,608**	**18,798**	**46,969**
Additions	**6,330**	**–**	**2,270**	**7,735**	**16,335**
Disposals	**(33)**	**–**	**(596)**	**–**	**(629)**
At December 31, 2021	**27,556**	**304**	**8,282**	**26,533**	**62,675**
ACCUMULATED DEPRECIATION					
At January 1, 2020	4,648	261	2,998	14,413	22,320
Provided for the year	1,001	17	818	344	2,180
Eliminated on disposals	(176)	–	(10)	–	(186)
At December 31, 2020	**5,473**	**278**	**3,806**	**14,757**	**24,314**
Provided for the period	**2,126**	**11**	**1,002**	**2,358**	**5,497**
Eliminated on disposals	**(18)**	**–**	**(516)**	**–**	**(534)**
At December 31, 2021	**7,581**	**289**	**4,292**	**17,115**	**29,277**
CARRYING VALUES					
At December 31, 2020	15,786	26	2,802	4,041	22,655
At December 31, 2021	**19,975**	**15**	**3,990**	**9,418**	**33,398**

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their estimated residual values and at the following rates per annum:

Machinery	9.5%–19%
Motor vehicles	19%–25.33%
Furniture, equipment and tools	9.5%–31.67%
Leasehold improvements	Over the shorter of the term of the relevant lease or 20%

16. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at December 31, 2020	
Carrying amount	19,947
As at December 31, 2021	
Carrying amount	**16,836**
For the year ended December 31, 2020	
Depreciation charge	5,416
For the year ended December 31, 2021	
Depreciation charge	**6,412**

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Additions of right-of-use assets	**3,301**	2,585
Addition of right-of-use assets through acquisition of a subsidiary (note 34)	**–**	3,351
Expenses related to short-term leases	**186**	112
Total cash outflow for leases	**7,353**	5,526

During the years ended December 31, 2021 and 2020, the Group leases properties for its operations. Lease contracts are entered into for fixed term of 34 to 60 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension or termination options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

On December 1, 2021, the Group entered into a lease contract, with a non-cancellable period of 27 months commencing January 1, 2022 and ending March 31, 2024 with base rent of USD15,170 (equivalent to RMB97,000) per month for the first month to third month, starting from fourth month to fifteenth month, the rent will be USD15,625 (equivalent to RMB100,000) per month, starting from sixteenth month to twenty-seventh month, the rent will be USD16,095 (equivalent to RMB103,000) per month.

16. RIGHT-OF-USE ASSETS *(continued)*

Restrictions or covenants on leases

In addition, as at December 31, 2021, lease liabilities of RMB18,571,000 (2020: RMB21,415,000) are recognised with related right-of-use assets of RMB16,836,000 (2020: RMB19,947,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 28.

17. INTANGIBLE ASSETS

	Patent rights	Software	Product technology	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
As at January 1, 2020	102	1,372	–	1,474
Additions	–	121	–	121
Acquired on acquisition of a subsidiary (note 34)	–	–	1,400	1,400
As at December 31, 2020	**102**	**1,493**	**1,400**	**2,995**
Additions	**–**	**1,489**	**–**	**1,489**
As at December 31, 2021	**102**	**2,982**	**1,400**	**4,484**
AMORTISATION AND IMPAIRMENT				
As at January 1, 2020	102	639	–	741
Charge for the year	–	173	81	254
As at December 31, 2020	**102**	**812**	**81**	**995**
Charge for the period	**–**	**354**	**140**	**494**
As at December 31, 2021	**102**	**1,166**	**221**	**1,489**
CARRYING VALUES				
As at December 31, 2020	–	681	1,319	2,000
As at December 31, 2021	**–**	**1,816**	**1,179**	**2,995**

17. INTANGIBLE ASSETS *(continued)*

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Patent rights	10 years
Software	2–5 years
Product technology	10 years

18. DEFERRED TAX ASSETS (LIABILITIES)

The following is the analysis of the deferred tax balances for financial reporting:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Deferred tax assets	**271**	4,926
Deferred tax liabilities	**(295)**	(330)
	(24)	4,596

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Unrealised profits on inventories	Leases	Impairment losses and write-down of inventories	ECL provision	Tax losses	Provisions	Contract liabilities arising from sales with a right to exchange	Fair value of intangible assets arising from business combination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020	4,589	68	215	1	3,761	227	–	–	8,861
Acquisition of a subsidiary (note 34)	–	–	–	–	–	–	–	(350)	(350)
Credit (charge) to profit or loss	(4,589)	3	(94)	126	–	–	619	20	(3,915)
At December 31, 2020	**–**	**71**	**121**	**127**	**3,761**	**227**	**619**	**(330)**	**4,596**
Credit (charge) to profit or loss	**–**	**(67)**	**(121)**	**(122)**	**(3,761)**	**(227)**	**(357)**	**35**	**(4,620)**
At December 31, 2021	**–**	**4**	**–**	**5**	**–**	**–**	**262**	**(295)**	**(24)**

At December 31, 2021, the Group had other deductible temporary differences of approximately RMB7,347,000 (2020: RMB5,220,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

18. DEFERRED TAX ASSETS (LIABILITIES) *(continued)*

As at December 31, 2021, the Group had estimated unused tax losses of approximately RMB286,369,000 (2020: RMB212,284,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses (2020: RMB187,206,000) due to the unpredictability of future profit streams. As at December 31, 2021, included in tax losses not recognised are losses incurred by subsidiaries in the PRC of RMB173,503,000 (2020: RMB71,822,000) that will expire in the next ten years, other tax losses of RMB112,866,000 (2020: RMB115,384,000) incurred by the subsidiary in Hong Kong not yet confirmed by the Hong Kong Inland Revenue Department which may be carried forward indefinitely.

The above tax losses incurred by subsidiaries in the PRC will be expired in the following years

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
2025	**38,916**	38,916
2026	**43,077**	–
2028	**25,073**	–
2030	**32,906**	32,906
2031	**33,531**	–
	173,503	71,822

19. GOODWILL

	RMB'000
COST	
At January 1, 2020	–
Arising on acquisition of a subsidiary (note 34)	1,150
At December 31, 2020 and December 31, 2021	1,150

Impairment assessment for the year ended December 31, 2021

For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to VascuPatent (as defined in note 34).

As at December 31, 2021, the management determines that there is no impairment on the carrying amount of the goodwill arising from VascuPatent based on its recoverable amount. The recoverable amount was determined on the basis of value in use, which was derived from estimated cash generated from VascuPatent. The calculation used cash flow projections based on financial budgets approved by the management covering a 5-year period (2020: 5-year) and estimated terminal growth rates of 3.0% per annual (2020: 3.0%) thereafter, and at a pre-tax discount rate of 26.6% per annum (2020: 25.4%).

20. INVENTORIES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Raw materials	**28,762**	20,389
Work in progress	**3,197**	1,255
Finished goods	**9,594**	6,894
	41,553	28,538

During the year ended December 31, 2021, write-down of inventory amounting to RMB2,016,000 has been recognised and included in cost of sales (2020: write-down of inventory RMB3,845,000).

21. TRADE AND BILL RECEIVABLES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables from contracts with customers	**44,540**	14,849
Less: Impairment losses under ECL model	**(326)**	(1,139)
	44,214	13,710
Bill receivables	**–**	15,808
	44,214	29,518

As at January 1, 2020, trade receivables from contracts with customers amounted to RMB4,437,000.

The Group's trade receivables that are denominated in currencies other than functional currency of the relevant group entities are set out below:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
USD	**206**	–
EURO ("**EUR**")	**345**	840
	551	840

21. TRADE AND BILL RECEIVABLES *(continued)*

The following is an aged analysis of trade receivables, and net of impairment losses under ECL model, presented based on revenue recognition date at the end of the reporting period.

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
0–90 days	**39,400**	9,026
91–180 days	**1,109**	2,343
181–365 days	**3,705**	2,341
	44,214	13,710

As at December 31, 2020, total bills received amounting to RMB15,808,000 are held by the Group for settlement of trade receivables during the year ended December 31, 2021.

As at December 31, 2021, included in the Group's trade receivables balance before impairment losses under ECL model are debtors with aggregate carrying amount of RMB294,000 (2020: RMB1,831,000) which are past due. Out of the past due balances RMB224,000 (2020: RMB326,000) has been past due 90 days or more and are considered as default.

Details of impairment assessment of trade and bill receivables are set out in note 37 (b).

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Advances to suppliers	**10,390**	3,353
Advances to employees	**809**	483
Other tax recoverable	**3,717**	2,231
Interest receivables	**1,601**	–
Prepayment for selling and distribution expenses	**1,967**	23
Deferred issue cost	**–**	3,248
Others	**340**	261
	18,824	9,599

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The Group's other receivables that are denominated in currencies other than functional currency of the relevant group entities are set out below:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
HK$	**2**	–
USD	**34**	20
EUR	**172**	–
	208	20

Details of impairment assessment of other receivables are set out in note 37 (b).

23. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.0001% to 2.42% per annum as at December 31, 2021 (2020: 0.0001% to 0.35% per annum).

The Group's bank balances that are denominated in currencies other than functional currency of the relevant group entities are set out below:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
HK$	**20,833**	73
USD	**392,395**	133,081
EUR	**425**	161
Swiss Franc ("**CHF**")	**2**	2
	413,655	133,317

Details of impairment assessment of the Group's bank balances are set out in note 37 (b).

24. PLEDGED BANK DEPOSITS

As at 31 December 2021, pledged bank balances represent deposits pledged to a bank to secure letter of credit amounting to RMB1,750,000 (2020: nil).

The pledged bank balances carry a fixed interest rate at 0.3% per annum as at December 31, 2021 (2020: nil).

Details of impairment assessment of the Group's pledged bank deposits are set out in note 37 (b).

25. TRADE AND OTHER PAYABLES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade payables	**7,139**	3,194
Accrued expenses		
– research and development expenses	**13,276**	2,681
– selling and distribution expenses	**1,314**	568
– salaries and bonus	**23,994**	12,029
– legal and professional fees	**2,826**	2,101
Other tax payable	**8,961**	4,415
Other payable		
– legal case settlement (note 27)	**1,521**	–
– listing expenses	**–**	6,793
– issue costs	**–**	2,136
– other payable of purchase of property, plant and equipment	**475**	–
– other payable of purchase of intangible assets	**611**	–
– others	**2,042**	1,829
	62,159	35,746

The average credit period on purchases of goods and services of the Group is 90 days.

The following is an aged analysis on trade payables of the Group presented based on the invoices dates.

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
0 to 90 days	**6,970**	3,151
91–180 days	**169**	43
	7,139	3,194

25. TRADE AND OTHER PAYABLES *(continued)*

The Group's trade and other payables that are denominated in currencies other than functional currency of the relevant group entities are set out below:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
USD	**1,560**	1,153
EUR	**4,440**	1,682
CHF	**–**	173
	6,000	3,008

26. CONTRACT LIABILITIES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Contract liabilities arising from sales of goods	**60**	148
Contract liabilities arising from incentive programme (note a)	**6,640**	5,808
Contract liabilities arising from sales with a right to exchange (note b)	**1,316**	2,476
	8,016	8,432

As at January 1, 2020, contract liabilities amounted to RMB7,530,000.

Notes:

(a) Incentive programme represents additional goods awarded to certain distributors' customers with nil consideration when these customers have made cumulative amounts of purchases within three months. Additional goods are normally provided based on 3%–5% of the purchase amounts made by these customers. The Group estimates the amounts of consideration to which it will be entitled for the additional goods using the expected value method and the consideration is then deferred as contract liabilities. The Group recognises revenue upon the receipts of the additional goods by the certain distributors' customers.

(b) Certain sales contracts with distributors allow products exchanges for unsold products with expiry date less than six months. The Group recognises the contract liabilities arising from sales with a right to exchange based on historical sales information.

Revenue recognised during the year ended December 31, 2021 related to carried-forward contract liabilities amounted to RMB8,383,000 (2020: RMB5,153,000).

27. PROVISIONS

	Provisions RMB'000
At January 1, 2021	1,511
Settled during the year	(1,511)
At December 31, 2021	–

In June 2013, the Group launched a clinical trial programme of a PTA balloons product and signed a clinical trial agreement with 中國中醫科學院西苑醫院 ("**Xiyuan Hospital**") to implement clinical trial in Beijing. In February 2014, a medical incident occurred during a clinical trial, of which an individual participant's exercise capacity was permanently damaged. The participant subsequently died in February 2019.

As at December 31, 2020, the Group made a provision of RMB1,511,000 based on best estimation, taking into account the judgements issued by the People's Court of Beijing Haidian District. In December 2021, the Group reached the agreement with plaintiff, and expected to settle with the amount of RMB1,521,000 for this case, which is included as "trade and other payables" as at December 31, 2021.

28. LEASE LIABILITIES

	As at December 31,	
	2021 **RMB'000**	2020 RMB'000
Lease liabilities payable:		
Within one year	**6,806**	5,679
Within a period of more than one year but not exceeding two years	**6,768**	5,844
Within a period of more than two years but not exceeding five years	**4,997**	9,892
	18,571	21,415
Less: Amounts due for settlement within 12 months shown under current liabilities	**(6,806)**	(5,679)
Amounts due for settlement after 12 months shown under non-current liabilities	**11,765**	15,736

The weighted average incremental borrowing rate applied to lease liabilities was 5.25% during the year ended December 31, 2021 (2020: 5.17%).

29. BANK BORROWINGS

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Unsecured and unguaranteed	**6,000**	20,000

The bank borrowings carried fixed interest rates ranging from 5.50% to 5.80% per annum and is repayable within one year (2020: fixed interest rate at 5.655% per annum).

During the year ended December 31, 2021, the Company raised a bank borrowing with principal amount of USD19,000,000, which is guaranteed by the intermediate holding company, CPE Funds III Limited, carried a variable interest rate at 2.10% per annum and it has been early repaid in September 2021.

30. SHARE CAPITAL

	Numbers of shares	**Amount** USD	**Amount** RMB'000
Authorized ordinary shares of USD0.00001 each			
At December 3, 2020, December 31, 2020 and December 31, 2021	10,000,000,000		
Issued and fully paid			
At December 3, 2020 (date of incorporation)	1	– *	– *
Add: Issuance of shares upon Group Reorganisation (note 2)	213,603,233	2,136	14
At December 31, 2020	213,603,234	2,136	14
Add: Issuance of shares for RSU Scheme (note 32)	12,228,440	122	1
Issuance of shares under employee incentive platform (note 32)	11,242,275	112	1
Conversion of preferred shares upon global offering	13,678,102	137	1
Issuance of shares upon global offering	68,633,000	686	4
Less: Re-designate of ordinary shares as preferred shares (note 31)	(5,995,880)	(59)	(1)
At December 31, 2021	313,389,171	3,134	20

* Less than USD1/RMB1,000

31. PREFERRED SHARES

On December 18, 2020, the Company entered into share purchase agreements with several independent investors and issued 7,682,222 preferred shares (the "**Series Crossover Preferred Shares**") to these independent investors with a total consideration of USD20,500,000 (equivalent to RMB134,351,000). During the year ended December 31, 2020, the Company received consideration in an aggregate amount of USD20,000,000 (equivalent to RMB130,945,000), while the remaining of USD500,000 (equivalent to RMB3,262,000) was received in January 2021.

On January 8, 2021, the shareholders of the Company passed a resolution to re-designate and re-classified 5,995,880 ordinary shares issued to CA Medtech, the immediate holding company, as preferred shares on an one for one basis, which was regarded as deemed distribution to CA Medtech. CA Medtech immediately entered into an agreement with several independent investors to sell and transfer for an aggregate of 5,995,880 preferred shares (the "**Series Crossover II Preferred Shares**") with a total consideration of USD16,000,000 (equivalent to RMB103,533,000).

	Date of subscription	Number of investors	Subscription price per share	Total consideration	Equivalent to RMB'000	Total number of shares of the Company subscribed (after the Group Reorganisation)
Series Crossover Preferred Shares	December 18, 2020	3	USD2.668	USD20,500,000	134,207	7,682,222
Series Crossover II Preferred Shares	January 8, 2021	3	USD2.668	Note	Note	5,995,880

Note: There is no cash proceeds received by the Company upon the redesignation and reclassification of the ordinary shares as preferred shares.

The key terms of preferred shares were as follows:

(a) Dividend rights

Each holder of a preferred share shall be entitled to receive dividend on an as converted basis, for each preferred share held by such holder, payable in cash when and as such cash becomes legally available thereof on parity with each other, provided that such dividends shall be payable only when, as, and if declared by the board of directors.

(b) Conversion feature

Each preferred share shall be convertible, at the option of the holder thereof, at any time into fully paid and non-assessable ordinary shares. The initial conversion ratio for preferred shares to ordinary share is 1:1 and shall be adjusted from time to time for any split, reverse split, subdivision, combination, reclassification, share dividend, extraordinary cash dividend or other similar actions affecting the Company's outstanding ordinary shares.

Each preferred share shall automatically be converted into such number of ordinary shares upon the closing of a Qualified Public Offering.

Qualified Public Offering defines as a firm underwritten public offering of the ordinary shares of the Company on an internationally or nationally recognised securities exchange or inter-dealer quotation system in the United States, Hong Kong or the PRC, or in a similar public offering in another jurisdiction.

31. PREFERRED SHARES *(continued)*

(c) Liquidation preferences

Upon the occurrence of a liquidation, dissolution or winding up, either voluntarily or involuntarily, of the Company or a Trade Sale Event, distributions to the shareholders of the Company shall be made in the following manner (after satisfaction of all creditors' claims and claims that may be preferred by law):

(1) Series Crossover Preferred Shares and Series Crossover II Preferred Shares

(2) Ordinary shares

Trade Sale Event defines as (i) a consolidation or merger of the Company with or into any other business entity in which the shareholders of the Company immediately after such merger or consolidation hold shares representing less than a majority of the voting power of the outstanding share capital of the surviving business entity, (ii) a sale, transfer or exclusive licensing of all or substantially all of the intellectual property rights of the group companies (taken as a whole) to any third party, (iii) a sale, lease, transfer or other disposition of all or substantially all of the assets of the group companies (taken as a whole), or (iv) a sale, transfer or other disposition of a majority of the issued and outstanding share capital of the Company or a majority of the voting power of the Company.

(d) Voting rights

Holders of ordinary shares and preferred shares shall each have one vote for each ordinary share or preferred share held by such holder. Holders of ordinary shares and preferred shares shall be entitled to notice of any members' meeting. Ordinary shares and preferred shares shall vote together as a single class and calculated on a one-share-one-vote basis on matters to be voted by the holders of ordinary shares and preferred shares.

(e) Redemption rights

If a Qualified Public Offering or Trade Sale Event does not occur before December 31, 2023 and any shareholder of the Company elects to exercise its redemption rights if applicable under certain circumstances further agreed, then each holder of Series Crossover Preferred Shares and Series Crossover II Preferred Shares may request redemption of all or a portion of such holder's Series Crossover Preferred Shares and Series Crossover II Preferred Shares (collectively referred to as the "**Redeeming Shares**") at a redemption price equal to that portion of the original issued price of the Series Crossover Preferred Shares and Series Crossover II Preferred Shares corresponding to the Redeeming Shares, plus a per annum return of 8% for each year after the issue and allotment of such Series Crossover Preferred Shares and Series Crossover II Preferred Shares on a non-compounding basis, plus any and all declared but unpaid dividends thereon.

31. PREFERRED SHARES *(continued)*

Presentation and Classification

Prior to the conversion into ordinary shares on August 24, 2021, the preferred shares were regarded as financial liabilities measured at FVTPL. The directors of the Company considered that the changes in the fair value of the preferred shares attributable to the change in credit risk of the Group is minimal. Changes in fair value of the preferred shares were charged to profit or loss.

As at December 31, 2020, the preferred shares were valued by the directors of the Company with reference to recent transactions regarding issuance of the preferred shares on December 18, 2020 and Series Crossover II Preferred Shares on January 8, 2021, which have the same features, rights and issue price as the Series Crossover Preferred Shares.

	Preferred shares RMB'000
At January 1, 2020	–
Issuance of preferred shares	134,207
Changes in fair value	(447)
At December 31, 2020	133,760
Re-designation and re-classification from ordinary shares	103,533
Changes in fair value	33,458
Conversion of preferred shares upon global offering	(270,751)
At December 31, 2021	–

All the preferred shares were converted to ordinary shares upon the global offering on August 24, 2021. The difference between the fair value of the preferred shares as at December 31, 2020 and January 8, 2021 and offer price of HK$23.8 per share of the global offering is accounted for as fair value loss charged to profit or loss. The fair value loss of financial instruments is a non-cash item, and there will be no further gains or losses on fair value changes from these preferred shares after the conversion into ordinary shares upon the closing of the global offering.

32. SHARE-BASED PAYMENTS

Employee incentive platform

On January 8, 2021, the Company issued 11,242,275 ordinary shares to an employee incentive platform, Bliss Way Limited, at the consideration of USD1 for each share without vesting conditions. All shares were granted to the employees and vested immediately on the same date.

The fair value of each share granted at grant date was approximately RMB9.438. The effect of share-based payment transactions of RMB33,356,000 recorded on the Group's profit or loss during the year ended December 31, 2021, of which RMB11,137,000, RMB13,914,000 and RMB8,305,000 were recognised in administration expenses and research and development expenses and selling expenses, respectively.

The Company used back-solve method to determine the underlying equity value of the Company and performed an equity allocation based on Black-Scholes option pricing model to arrive the fair value of the shares as of the grant date with reference to the original issue price of Series Crossover Preferred Shares.

The key valuation assumptions used to determine the fair value as of grant date are as follows:

	At January 8, 2021
Time to liquidation	3 years
Risk-free rate	0.24%
Volatility	44.1%
Dividend yield	0%
Possibilities under liquidation scenario	32.5%
Possibilities under redemption scenario	32.5%
Possibilities under Qualified IPO scenario	35%
DLOM	16.6%

The directors of the Company established the risk-free rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the valuation date to expected liquidation date of preferred shares. Volatility was estimated based on average historical volatilities of comparable companies in the same industry from valuation date to expected liquidation date. Dividend yield is based on management estimate at the valuation date. DLOM was quantified by the Finnerty Put Options Model. Under this option-pricing method, which assumed that the price of a put option remains the average price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM.

32. SHARE-BASED PAYMENTS *(continued)*

Restricted share unit scheme

On January 8, 2021, the Board of Directors has approved the a restricted share unit scheme (the "**RSU Scheme**") and issued 12,228,440 ordinary shares to Sino Fame Ventures Limited, which was established for the purpose of holding shares for granting to the employees.

No restricted share units ("**RSU(s)**") were granted, vested, cancelled or lapsed under the RSU Scheme during the year ended December 31, 2021. No RSUs were outstanding under the RSU Scheme as at December 31, 2021.

(a) Purpose of the scheme

The purpose of the RSU Scheme is to recognise and motivate the contributions the grantees under the RSU Scheme (the "**Grantee(s)**"), provide incentives for them to remain with the Company, and attract suitable personnel for our further development.

An award of RSUs under the RSU Scheme ("**Award(s)**") gives a Participant (defined as below) a conditional right upon the vesting of the Award to obtain either shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Remuneration Committee of the Board (the "**Remuneration Committee**") in its absolute discretion.

The RSU Scheme shall be valid and effective for period of ten years commencing on the adoption date of the RSU Scheme, after which period no further Awards will be granted. In spite of this, the RSU Scheme in all other respects remain in full force and effect and Awards that are granted during the period may continue to be exercisable in accordance with their terms of issue.

(b) Participants of the scheme

Participants of the RSU Scheme (the "**Participants**") include the following:

(i) the employees or officers (including executive, non-executive and independent non-executive directors of the Group);

(ii) any person or entity (including but not limited to consultants engaged by the company services to the Group) that provides research, development, consultancy and other technical or operational or administrative support to the Group; and

(iii) any other persons including former employees who, in the sole opinion of the Remuneration Committee of the Company, have contributed or will contribute to the Company or any of its subsidiaries.

(c) Total number of securities available for issue under the scheme

Number of shares that may be delivered under the RSU Scheme are 12,228,440 shares of the Company that are held by Sino Fame Ventures Limited, a nominee shareholder on trust for the RSU Scheme.

32. SHARE-BASED PAYMENTS *(continued)*

Restricted share unit scheme *(continued)*

(d) Vesting terms

Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each Award, the RSU(s) granted in an Award shall be subject to a vesting period (if any) and/or the satisfaction of performance and/or other conditions (if any) to be determined by the Remuneration Committee in its absolute discretion. If such conditions are not satisfied, the vesting date of the RSU(s) shall be postponed for one year. If the vesting terms and conditions of the postponed RSU(s) are not satisfied at the postponed vesting date, the RSU(s) shall automatically lapse. Upon fulfillment or waiver of the vesting period and vesting criteria (if any) applicable to a Grantee, a vesting notice shall be sent to the Grantee by the Remuneration Committee, or by any other means the Remuneration Committee so determines in its sole discretion from time to time, confirming (a) the extent to which the vesting period and conditions have been fulfilled or waived, and (b) the number of shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive.

Share Award Scheme

On December 31, 2021, the board of directors approved the Company to adopt a share award scheme ("**Share Award Scheme**") to eligible employees to provide them with incentives in order to retain them for the continual operation and development of the Group. The Share Award Scheme will initially be valid and effective for a period of ten years commencing on the adoption date. The total number of the award shares made pursuant to the Share Award Scheme shall not exceed 10% of the total number of issued shares as at the adoption date.

The Company has appointed Trident Trust Company (HK) Limited as the trustee ("**Trustee**"). Pursuant to the Share Award Scheme, the granted shares will be obtained by existing outstanding shares to be acquired by the Trustee through on-market transactions.

No shares were granted, vested, cancelled or lapsed under the Share Award Scheme during the year ended December 31, 2021. No shares were outstanding under the Share Award Scheme as at December 31, 2021.

Share-based payments to key management

During the year ended December 31, 2020, the immediate holding company, CA Medtech issued 42,720,647, 4,272,065 and 2,000,000 of its shares to an entity controlled by the chief executive officer of the Group, the chief operating officer of the Group, who are also the directors of the Company, and an entity controlled by the chief medical officer of the Group at a consideration of USD1 per share, respectively.

The fair value of each shares granted at respective granted date was approximately RMB8.057. The effect of share-based payment transactions of RMB51,956,000 recorded on the Group's profit or loss during the year ended December 31, 2020, of which RMB46,206,000 and RMB5,750,000 were recognised in administration expenses and research and development expenses, respectively.

The fair value of the shares on grant day has been arrived at based on a valuation. Discount cash flow methodology was adopted in the valuation. The key model inputs used in determining the fair value, include assumed discount rate of 18% and assumed long-term sustainable growth rate of 3%.

33. RETIREMENT BENEFIT PLANS

The total amount provided by the Group to the schemes and charged to profit or loss are RMB6,078,000 for the year ended December 31, 2021 (2020: RMB257,000).

The employees of the Group's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. Subsidiaries are required to contribute, based on a certain percentage of the payroll costs of their employees, to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

34. ACQUISITION OF A SUBSIDIARY

On May 27, 2020, the Group acquired an 85% equity interests in VascuPatent Medical (Shenzhen) Co., Ltd. ("**VascuPatent**") by capital injection into VascuPatent of RMB18,500,000 in form of cash. VascuPatent is established in the PRC and principally engaged in the research and development of procedural medical devices for electrophysiological catheters and was acquired with the objective of reducing purchase of drug-coated balloons from external suppliers. The acquisition has been accounted for as acquisition of business using the acquisition method.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	11
Right-of-use assets	3,351
Intangible assets	1,400
Prepayments and other receivables	19,068
Bank balances and cash	672
Other payables	(389)
Lease liabilities	(3,351)
Deferred tax liability	(350)
	20,412

The other receivables acquired with a fair value of RMB19,062,000 at the date of acquisition had gross contractual amounts of RMB19,062,000.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	18,500
Plus: non-controlling interest	3,062
Less: recognised amounts of net assets acquired	(20,412)
Goodwill arising on acquisition	1,150

34. ACQUISITION OF A SUBSIDIARY *(continued)*

Goodwill arising on acquisition: *(continued)*

The non-controlling interest (15%) in VascuPatent recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of VascuPatent and amounted to RMB3,062,000.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net cash inflow on acquisition of VascuPatent

	RMB'000
Cash and cash equivalents balances acquired	672

In October 2020, the Group acquired the remaining 15% equity interests in VascuPatent, a subsidiary of the Company for a cash consideration of RMB1,499,000 and VascuPatent has become a wholly-owned subsidiary of the Company. The amount of RMB1,113,000, representing the difference between the consideration and the carrying amount of the non-controlling interest as of acquisition date, was recognised in other reserve.

Impact of acquisition on the results of the Group

Included in the loss for the year ended December 31, 2020 is loss of approximately RMB7,304,000 attributable to the additional business generated by VascuPatent. No revenue is generated from VascuPatent during the year ended December 31, 2020.

Had the acquisition of VascuPatent been completed on January 1, 2020, revenue for the year ended December 31, 2020 of the Group would have been RMB193,975,000, and loss for the year ended December 31, 2020 would have been RMB44,872,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

35. CAPITAL COMMITMENTS

As at December 31, 2021, the Group had commitments which were contracted for but not provided in the consolidated financial statements:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Acquisition of property, plant and equipment	**11,771**	1,926
Additional of right-of-use assets	**2,595**	–

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to a shareholder through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities, bank borrowings, net of cash and cash equivalents and equity attributable to owner of the Company (comprising issued share capital and reserves).

The management reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through issue of new shares as well as the issue of new debt or the redemption of existing debt.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Financial assets		
Amortised cost	**1,188,401**	203,241
Financial liabilities		
Amortised cost	**17,788**	351,268
At FVTPL – Preferred shares	**–**	133,760

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bill receivables, amount due from a shareholder, amount due from a preferred shareholder, other receivables and rental deposits, bank balances and cash, pledged bank deposits, trade and other payables, bank borrowings and dividend payable. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances, trade receivables, other receivables and trade and other payables, are denominated in foreign currency of respective group entities which exposed the Group to foreign currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows.

	Assets		Liabilities	
	As at December 31,		As at December 31,	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Currency of HK$	**20,835**	73	**–**	–
Currency of USD	**392,635**	136,363	**1,560**	461,158
Currency of EUR	**942**	1,001	**4,440**	1,682
Currency of CHF	**2**	2	**–**	173

The Group's foreign currency risk is concentrated on the fluctuation of RMB against USD and HK$.

The directors of the Company consider that the exposure on currency risk on EUR and CHF are insignificant and accordingly no currency sensitivity analysis is prepared.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk *(continued)*

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against USD and HK$. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit/a decrease in post-tax loss for the year where RMB weakens 5% against USD and HK$. For a 5% strengthening of RMB against USD and HK$, there would be an opposite impact on the post-tax profit/loss for the year.

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Impact on profit or loss		
HK$	**870**	–
USD	**19,554**	(16,252)

Interest rate risk

The Group are exposed to cash flow interest rate risk in relation to bank balances with variable interest rate (note 23) and also exposed to fair value interest rate risk in relation to fixed rate pledged bank deposits (note 24), fixed rate lease liabilities (note 28) and fixed rate bank borrowings (note 29). The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Company considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and bill receivables, amount due from a shareholder, amount due from a preferred shareholder, other receivables and rental deposits, bank balances and pledged bank deposits. The Group do not hold any collateral or other credit enhancements to cover the credit risks associated with its financial assets.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Trade receivables arising contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group grants a credit period from 60 days to 210 days or payment upon devices implementation. The Group may request deposits and/or advances from new or certain customers upon signing sales agreements or placing orders to minimise the credit risks.

The Group has concentration of credit risk as 87% of the total trade receivables was due from the Group's two largest debtors (2020: 71%), and 96% of total trade receivables was due from the Group's five largest debtors as at December 31, 2021 (2020: 84%).

For trade receivables, the Group has applied the simplified approach of IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group performs impairment assessment under ECL model based on provision matrix.

Details of the quantitative disclosures are set out below in this note.

Other receivables, rental deposits, bill receivables, amount due from a shareholder and amount due from a preferred shareholder

The management of the Group makes periodic individual assessment on the recoverability of other receivables, rental deposits, bill receivables, amount due from a shareholder and amount due from a preferred shareholder based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of IFRS 9. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. The internal credit ratings of other receivables and rental deposits are considered as low risk. For the years ended December 31, 2021 and 2020, the Group assessed the ECL for other receivables and rental deposits are insignificant. For the year ended December 31, 2020, the Group assessed the ECL for amount due from a shareholder and amount due from a preferred shareholder are insignificant. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the bill receivables is insignificant.

Bank balances and pledged bank deposits

The credit risk on bank balances and pledged bank deposits are limited because the counterparties are mainly reputable banks and financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL for bank balances and pledged bank deposits by reference to information relating to average loss rates of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the ECL on bank balances and pledged bank deposits are considered insignificant.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The tables below detail the credit risk exposures of the Group's major financial assets which are subject to ECL assessment:

	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount As at December 31 2021 RMB'000	2020 RMB'000
Financial assets at amortised cost					
Trade receivables	N/A	Low	Lifetime ECL	**38,154**	6,554
		Watch list	Lifetime ECL	**5,256**	6,137
		Doubtful	Lifetime ECL	**906**	1,832
		Loss	Lifetime ECL (credit-impaired)	**224**	326
				44,540	14,849
Bill receivables	N/A	Low	12m ECL	**–**	15,808
Amount due from a shareholder	N/A	Low	12m ECL	**–**	227
Amount due from a preferred shareholder	N/A	Low	12m ECL	**–**	3,262
Other receivables, and rental deposits	N/A	Low	12m ECL	**5,253**	2,578
Bank balances	Aa1 – Aa3	N/A	12m ECL	**1,137,184**	147,097
Pledged bank deposits	Aa1 – Aa3	N/A	12m ECL	**1,750**	–

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

As at December 31, 2021, debtors with significant outstanding balances or credit-impaired with gross carrying amounts of RMB41,790,000 and RMB224,000, respectively were assessed individually (2020: RMB14,523,000 and RMB326,000 respectively).

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under simplified approach:

	Lifetime ECL (non-credit-impaired)	Lifetime ECL (credit impaired)	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2020	9	–	9
Impairment losses under ECL reversed	(9)	–	(9)
Impairment losses under ECL recognised	813	326	1,139
At December 31, 2020	813	326	1,139
Impairment losses under ECL reversed	(772)	(326)	(1,098)
Impairment losses under ECL recognised	285	–	285
Transfer to credit-impaired	(224)	224	–
At December 31, 2021	102	224	326

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

37. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2020							
Trade and other payables	–	4,569	454	–	–	5,023	5,023
Lease liabilities	5.17	1,621	5,009	6,503	10,371	23,504	21,415
Bank borrowing	5.66	–	21,130	–	–	21,130	20,000
Dividend payable	–	326,245	–	–	–	326,245	326,245
Preferred shares	7.43	–	–	–	165,862	165,862	133,760
		332,435	26,593	6,503	176,233	541,764	506,443

	Weighted average effective interest rate %	**On demand or less than 3 months RMB'000**	**3 months to 1 year RMB'000**	**1-2 years RMB'000**	**2-5 years RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
As at December, 31 2021							
Trade and other payables	**–**	**11,788**	**–**	**–**	**–**	**11,788**	**11,788**
Lease liabilities	**5.25**	**1,964**	**5,625**	**7,212**	**5,127**	**19,928**	**18,571**
Bank borrowings	**5.65**	**502**	**5,598**	**–**	**–**	**6,100**	**6,000**
		14,254	**11,223**	**7,212**	**5,127**	**37,816**	**36,359**

37. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurements of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Some of the Group's financial liabilities are measured at fair value during the year ended December 31, 2020. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at			
	December 31, 2021 RMB'000	2020 RMB'000	**Fair value hierarchy**	**Valuation technique and key input**
Preferred shares	**–**	133,760	December 31, 2020: Level 2	December 31, 2020: Recent transactions price (note a);

Note:

(a) The Group issued Series Crossover Preferred Shares and Series Crossover II Preferred Shares on December 18, 2020 and January 8, 2021, respectively. The directors consider both preferred shares have the same feature and shareholders' rights and therefore the fair value of the preferred shares as at December 31, 2020 is determined by the recent transactions price abovementioned.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000	Bank borrowings RMB'000	Interest payable RMB'000	Dividend payable RMB'000	Preferred shares RMB'000	Accrued issue costs RMB'000	Total RMB'000
At January 1, 2020	19,949	–	–	–	–	–	19,949
Financing cash flows	(5,414)	19,600	–	–	130,945	(1,112)	144,019
Fair value change of preferred shares	–	–	–	–	(447)	–	(447)
Amount due from a preferred shareholder	–	–	–	–	3,262	–	3,262
Deferred issue cost	–	–	–	–	–	3,248	3,248
New leases entered/ lease modification	2,507	–	–	–	–	–	2,507
Acquisition of a subsidiary (note 34)	3,351	–	–	–	–	–	3,351
Interest expenses	1,022	400	–	–	–	–	1,422
Dividend recognised as distribution	–	–	–	327,255	–	–	327,255
Exchange adjustment	–	–	–	(1,010)	–	–	(1,010)
At December 31, 2020	**21,415**	**20,000**	**–**	**326,245**	**133,760**	**2,136**	**503,556**
Financing cash flows	**(7,167)**	**(13,924)**	**(2,802)**	**(323,085)**	**3,262**	**(63,399)**	**(407,115)**
Fair value change of preferred shares	**–**	**–**	**–**	**–**	**33,458**	**–**	**33,458**
Re-designation and reclassification from ordinary shares(note 31)	**–**	**–**	**–**	**–**	**103,533**	**–**	**103,533**
Repayment from a preferred shareholder	**–**	**–**	**–**	**–**	**(3,262)**	**–**	**(3,262)**
Conversion of preferred shares upon global offering	**–**	**–**	**–**	**–**	**(270,751)**	**–**	**(270,751)**
Deferred issue cost	**–**	**–**	**–**	**–**	**–**	**61,263**	**61,263**
New leases entered	**3,301**	**–**	**–**	**–**	**–**	**–**	**3,301**
Interest expenses	**1,022**	**–**	**2,802**	**–**	**–**	**–**	**3,824**
Exchange adjustment	**–**	**(76)**	**–**	**(3,160)**	**–**	**–**	**(3,236)**
At December 31, 2021	**18,571**	**6,000**	**–**	**–**	**–**	**–**	**24,571**

39. RELATED PARTY TRANSACTIONS

(a) The Group had the following related party transactions during the year ended December 31, 2021:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Royalty fees to InnoRa GmbH (Note)	**15,184**	7,459
Clinical service provided by InnoRa GmbH	**–**	691

Note: InnoRa GmbH is a company controlled by chief technology officer of the Group.

(b) The remuneration of key management personnel during the year was as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Short-term employee benefits	**10,642**	10,906
Post-employment benefits	**253**	89
Share-based payments	**8,393**	49,835
	19,288	60,830

The remuneration of key management personnel is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

40. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at December 31, 2021 and 2020, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ registration	Paid up issued/ registered capital	Effective equity interest attributable to the Group				Principal activities
			As at December 31, 2021		As at December 31, 2020		
			Direct %	Indirect %	Direct %	Indirect %	
Acotec Technologies Limited (note)	United Sates of America November 19, 2021	USD1.00	100	-	-	-	Research and development of interventional device products
Pine Medical Limited (長青醫療器械有限公司)	Hong Kong March 7, 2011	HK$12,000,000	100	-	100	-	Investment holding and trading of procedural medical devices
Acotec Scientific Co., Ltd.*# (北京先瑞達醫療科技有限公司)	The PRC January 28, 2008	RMB80,000,000	-	100	-	100	Research, development and production of PTA balloons and DCB products
Tianjin Xianruida Medical Technology Co., Ltd.*# (天津先瑞達醫療科技有限公司)	The PRC December 24, 2018	RMB5,000,000	-	100	-	100	Marketing and sales of PTA balloons and DCB products
VascuPatent Medical (Shenzhen) Co., Ltd.*# (為泰醫療器械(深圳)有限公司)	The PRC December 18, 2019	RMB6,666,667	-	100	-	100	Research and development of PTA balloons and DCB products

* The English name is for identification purpose only

\# The companies are foreign wholly owned enterprises established in the PRC.

None of the subsidiaries had issued any debt securities at the end of the year.

Note:

The functional currency of Acotec Technologies Limited is USD.

41. EVENTS AFTER THE REPORTING PERIOD

On January 27, 2022, the Company granted 1,540,000 shares to 55 eligible employees under the RSU Scheme as disclosed in note 32. The granted shares have a vesting period of two years and are subjected to non-market performance vesting conditions.

42. COMPANY'S STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at December 31	
	2021	2020
	RMB'000	RMB'000
Non-current asset		
Investments in subsidiaries	**146,142**	59,896
	146,142	59,896
Current assets		
Deferred issue cost	**–**	3,248
Amount due from a preferred shareholder	**–**	3,262
Prepayments, deposits and other receivables	**1,601**	–
Bank balances	**1,072,573**	130,498
	1,074,174	137,008
Current liabilities		
Dividend payable	**–**	326,245
Trade and other payables	**440**	8,929
Amount due to a subsidiary	**921**	4,678
	1,361	339,852
Net current assets (liabilities)	**1,072,813**	(202,844)
Total assets less current liabilities	**1,218,955**	(142,948)
Capital and reserves (deficits)		
Share capital	**20**	14
Reserves (deficits)	**1,218,935**	(276,722)
Total equity (net deficits)	**1,218,955**	(276,708)
Non-current liability		
Preferred shares	**–**	133,760
Total equity and non-current liabilities	**1,218,955**	(142,948)

42. COMPANY'S STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

The Company's movement in reserve:

	Share premium	Shares held under RSU Scheme	Share-based payment reserve	Other reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 3, 2020 (date of incorporation)	–	–	–	–	–	–
Effect from Group reorganisation	59,882	–	–	–	–	59,882
Loss and total comprehensive expense for the period	–	–	–	–	(9,349)	(9,349)
Dividend recognised as distribution	(327,255)	–	–	–	–	(327,255)
At December 31, 2020	**(267,373)**	**–**	**–**	**–**	**(9,349)**	**(276,722)**
Loss and total comprehensive expense for the period	**–**	**–**	**–**	**–**	**(71,617)**	**(71,617)**
Issuance of shares for RSU Scheme	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Shares issued under an employee incentive platform	**72,745**	**–**	**33,356**	**–**	**–**	**106,101**
Issuance of convertible preferred shares as deemed distribution	**–**	**–**	**–**	**(103,532)**	**–**	**(103,532)**
Share issued upon global offering	**1,358,467**	**–**	**–**	**–**	**–**	**1,358,467**
Share issue costs	**(64,511)**	**–**	**–**	**–**	**–**	**(64,511)**
Conversion of preferred shares upon global offering	**270,750**	**–**	**–**	**–**	**–**	**270,750**
At December 31, 2021	**1,370,078**	**(1)**	**33,356**	**(103,532)**	**(80,966)**	**1,218,935**

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last three financial years[Note] is set out below:

	For the year ended December 31,		
	2021	2020	2019
	RMB'000	RMB'000	RMB'000
Revenue	**303,813**	193,975	124,910
Gross profit	**265,939**	163,780	105,931
(Loss) profit before tax	**(67,243)**	(31,447)	26,708
(Loss) profit for the year	**(79,077)**	(44,292)	23,105
(Loss) profit attributable to:			
Owners of the parent	**(79,077)**	(43,842)	23,105
Non-controlling interest	**–**	(450)	–
(Loss) earning per share			
– Basic (RMB yuan)	**(0.32)**	(0.24)	0.14
– Diluted (RMB Yuan)	**(0.32)**	(0.24)	0.14

	For the year ended December 31,		
	2021	2020	2019
	RMB'000	RMB'000	RMB'000
Total non-current assets	**63,841**	54,700	39,010
Total current assets	**1,243,525**	218,241	73,229
Total current liabilities	**88,112**	404,124	59,189
Total non-current liabilities	**12,060**	149,826	16,031
Total equity (net deficits)	**1,207,194**	(281,009)	37,019

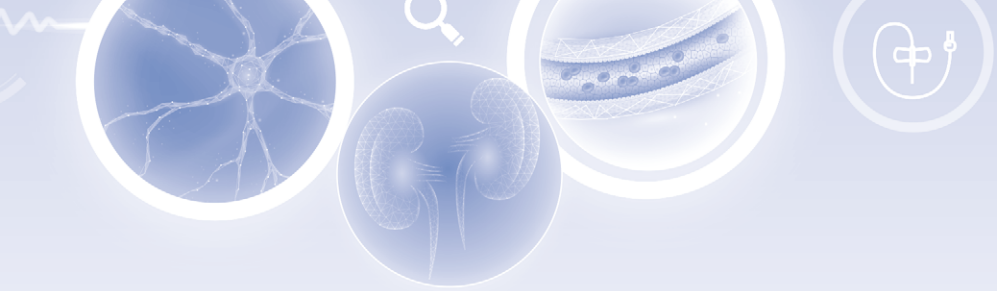
Note:

The Company was only listed on the Stock Exchange on August 24, 2021, no financial information for the two years ended December 31, 2017 and 2018 have been published.

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

"AGM"	the annual general meeting of the Company to be held on Thursday, May 26, 2022
"Articles of Association"	our articles of association, as adopted on June 23, 2021 and effective on August 24, 2021 (as amended, supplemented or otherwise modified from time to time)
"Audit Committee"	the audit committee of the Board
"AVF"	arteriovenous fistula, an abnormal connection between an artery and a vein, bypassing some capillaries. It is usually surgically created for hemodialysis treatments
"Board of Directors" or "Board"	the board of Directors
"CAD"	coronary artery disease
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which, for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "our Company", or "Acotec"	Acotec Scientific Holdings Limited (先瑞達醫療科技控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on December 3, 2020
"Core Product"	AcoArt Orchid® & Dhalia™ and AcoArt Tulip™ & Litos™, the designated "core product" as defined under Chapter 18A of the Listing Rules
"DCB"	drug-coated balloon, an angioplasty balloon used in PCI procedures with anti-proliferation drug coated on its surface. The drug can inhibit smooth muscle cell proliferation and migration, thereby further reducing the chance of artery restenosis
"Director(s)"	the director(s) of the Company or any one of them
"FDA"	the U.S. Food and Drug Administration
"Global Offering"	the Hong Kong Public Offering and the International Offering each as defined in the Prospectus



"Group", "our Group", "our", "we", or "us"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"KOLs"	key opinion leaders, being renowned physicians that are able to influence their peers' medical practice
"IDE"	investigational device exemption, an approval granted by the FDA that allows a medical device to be used in a clinical research study that involves human subjects or human specimens
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"LEAD"	lower extremity artery disease, the narrowing or blockage of leg arteries
"Listing"	the listing of the Shares on the main board of the Stock Exchange
"Listing Date"	August 24, 2021, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NMPA"	the National Medical Product Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
"PAD"	peripheral artery disease, the narrowing or blockage of arteries outside the heart or brain
"Prospectus"	the prospectus of the Company dated August 12, 2021
"RCT"	randomized controlled clinical trial, a study in which people are allocated at random (by chance alone) to receive one of several clinical interventions
"Reporting Period"	the year ended December 31, 2021

Definitions

"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) with nominal value of US$0.00001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"vasculogenic ED"	vasculogenic erectile dysfunction, the inability to achieve and maintain an erection due to defects in the blood flow
%	per cent