



上海百心安生物技術股份有限公司
Shanghai Bio-heart Biological Technology Co., Ltd.

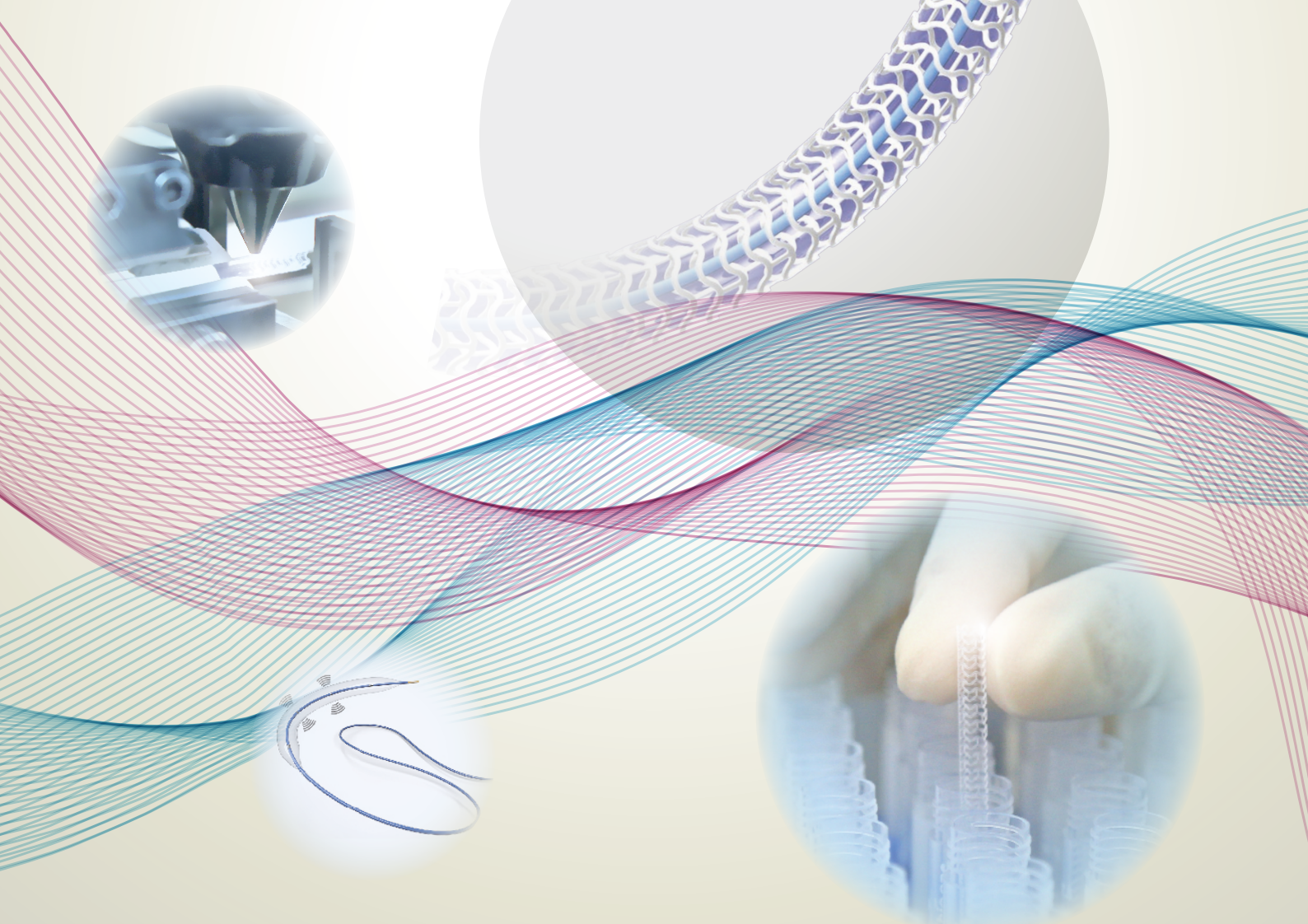
(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2185



2021

ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Philip Li WANG (汪立) (*Chairperson, chief executive officer and general manager*)
Mr. Yunqing WANG (王雲馨) (*Chief financial officer, board secretary and joint company secretary*)

Non-executive Directors

Ms. Li CAI (蔡俐)
Mr. Quan ZHOU (周琮)
Mr. Ji CHEN (陳紀)
Mr. Jie YIN (陰杰)

Independent Non-executive Directors

Mr. Charles Sheung Wai CHAN (陳尚偉)
Mr. Xubo LU (魯旭波)
Mr. George Chien Cheng LIN (林潔誠)

AUDIT COMMITTEE

Mr. Charles Sheung Wai CHAN (陳尚偉) (*Chairperson*)
Mr. George Chien Cheng LIN (林潔誠)
Mr. Xubo LU (魯旭波)

REMUNERATION COMMITTEE

Mr. Xubo LU (魯旭波) (*Chairperson*)
Mr. Charles Sheung Wai CHAN (陳尚偉)
Ms. Li CAI (蔡俐)

NOMINATION COMMITTEE

Mr. Philip Li WANG (汪立) (*Chairperson*)
Mr. Charles Sheung Wai CHAN (陳尚偉)
Mr. Xubo LU (魯旭波)

SUPERVISORS

Ms. Peili WANG (王佩麗) (*Chairperson*)
Mr. Tao CAI (蔡濤)
Mr. Chenzhao ZHANG (張晨朝)

JOINT COMPANY SECRETARIES

Mr. Yunqing WANG (王雲馨)
Ms. Sarah Siu Ying KWOK (郭兆瑩) (*ACG, HKACG*)

AUTHORIZED REPRESENTATIVES

Mr. Yunqing WANG (王雲馨)
Ms. Sarah Siu Ying KWOK (郭兆瑩)

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Shanghai
PRC

STOCK CODE

2185

COMPANY'S WEBSITE

www.bio-heart.com

LISTING DATE

December 23, 2021

Financial Summary

A summary of the results and of the assets and liabilities of the Company for the last three financial years^(Note) is set out below:

	For the year ended December 31,		
	2021 RMB'000	2020 RMB'000	2019 RMB'000
Research and development expenses	(214,228)	(245,743)	(21,530)
Administrative expenses	(195,424)	(81,556)	(3,744)
Other expenses	(6,647)	(16,363)	(5)
Finance costs	(685)	(56)	(86)
Other income and gains	7,159	3,424	1,646
Loss for the year	(409,825)	(340,294)	(23,719)

	As at December 31,		
	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total non-current assets	358,391	314,277	21,327
Total current assets	756,528	470,765	32,788
Total current liabilities	36,812	13,867	8,712
Total non-current liabilities	43,232	27,262	7,264
Non-controlling interests	39,188	43,823	–
Total equity	1,034,875	743,913	38,139

Note: The H Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on December 23, 2021.

Chairperson's Statement

Dear Shareholders,

On behalf of the board of directors of the Company, I am pleased to present our annual report for the financial year ended December 31, 2021.

We are a leading innovative interventional cardiovascular device company in China with a current focus on two therapies: (i) bioresorbable scaffolds (BRS) addressing the unmet medical needs of Chinese patients for the treatment of coronary or peripheral artery diseases, and (ii) renal denervation (RDN) addressing the unmet medical needs of patients for the treatment of uncontrolled hypertension and resistant hypertension.

The year of 2021 witnessed Bioheart's numerous significant milestones as we made meaningful progress across all aspects of our business. We have built a robust pipeline of nine product candidates in various stages of development. We completed the patient enrollment process for the clinical trial of Iberis® 2nd, the second-generation RDN system, and Bioheart®, a self-developed temporary scaffold, in January and February 2022, respectively. In addition to China market, we also actively expand our business globally. We have launched a European clinical trial evaluating the Company's Iberis® 2nd transradial RDN system. Iberis® 2nd is our self-developed second-generation RDN system, and it is the world's only RDN product candidate that provides both the transfemoral and transradial intervention (TRI) approaches to physicians and patients. In addition, we are also conducting clinical trials for Iberis® 2nd in Japan in collaboration with Terumo, our global strategic partner.

Furthermore, we completed the construction of the Company's new plant located at Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai with a gross area of over 7,000 sq.m, of which, the production site located at the second and third floor with a total gross area of 3,600 sq.m (including a class 10,000 cleanroom production area with a gross area of over 2,000 sq.m) has passed the relevant inspections, completed the relevant filings and has been officially put into use. It is expected that through the addition of production lines, recruitment and training of technicians in the future, the new plant can achieve the production capacity goal of 280,000 units of BRS products and 90,000 units of RDN products per year.

The year of 2021 was extraordinary and challenging. Although the COVID-19 pandemic has continually created unprecedented challenges to the global economy, it has also brought enormous public attention and new opportunities to the healthcare industry.

Looking forward to 2022, the IPO in December 2021 is our new starting point, as a provider of innovative medical products, we remain committed to bringing the best treatment options to patients fighting coronary or peripheral artery diseases, uncontrolled hypertension and resistant hypertension. We will continue to prepare for the commercialization of our product candidates, and will keep strengthening our in-house R&D capabilities, expanding our product pipeline, while seeking deeper cooperation and partnership around the world.

Finally, on behalf of Bioheart, I would like to express my heartfelt gratitude to our colleagues for their devotion and dedication. I would also like to extend my deep appreciation to all of our patients, physicians, business partners and shareholders.

Yours faithfully,

Mr. Philip Li WANG

Chairperson and executive Director

Management Discussion and Analysis

I. BUSINESS REVIEW

Overview

We are a leading innovative interventional cardiovascular device company in China with a current focus on two therapies: (i) bioresorbable scaffolds (BRS) addressing the unmet medical needs of Chinese patients for the treatment of coronary or peripheral artery diseases, and (ii) renal denervation (RDN) addressing the unmet medical needs of patients for the treatment of uncontrolled hypertension and resistant hypertension.

Products and Pipeline

As of the date of this report, we have a portfolio of nine product candidates in various stages of development. The following diagram summarizes the status of our product candidates under development as of the date of this report:

Product Candidates*	Pre-Clinical	Clinical	Registration	Commercialization
BRS Product Candidate	Bioheart® BRS system ★+ (For coronary artery disease)	<ul style="list-style-type: none"> In China Feasibility clinical trial completed In confirmatory clinical trial 	<ul style="list-style-type: none"> Expected to be the world's first second generation BRS system approved for commercialization based on multi-center RCT results 	2023 Q3
	Bio-Leap™ below-the-knee (BTK) BRS system (For peripheral vascular disease)	Animal studies		2026
	Bioheart Ultra™ BRS system with ultra-thin strut (For coronary artery disease)	Animal studies		2027 - 2028
RDN Product Candidate	Iberis® 2nd second-generation RDN system +	<ul style="list-style-type: none"> In China In confirmatory clinical trial 	<ul style="list-style-type: none"> Expected to be the first multi-electrode RDN product approved for commercialization in China 	2023 Q2
		<ul style="list-style-type: none"> In Japan Feasibility clinical trial completed To initiate confirmatory clinical trial* 		2025
Other Product Candidates	Bioheart® impulse balloon dilatation catheter (For coronary artery calcification)	Design stage		2025
	Bioheart® impulse balloon dilatation catheter (For peripheral vascular calcification)	Design stage		2025 - 2026
	Bioheart impulse balloon dilatation catheter (For aortic valve calcification)	Design stage		2027 - 2028
	Bioheart balloon dilatation catheter ▲	Design stage	Exempted from clinical trial	2023
	Bioheart® non-compliant (high-pressure) balloon dilatation catheter ▲	Design stage	Exempted from clinical trial	2023

★ Core product

+ NMPA "Innovative Medical Device"

▲ Among our product candidates, these devices are exempted from clinical trial requirements in accordance with the Catalogue of Medical Devices Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》) promulgated by the NMPA, as amended.

* The confirmatory clinical trial is also known as pivotal clinical trial in Japan.

Management Discussion and Analysis

Our Products and Product Candidates

BRS Product Candidates

Bioheart®, our bioresorbable scaffold (BRS) product, is a self-developed temporary scaffold that will be fully resorbed by the human body over time. It is a BRS system used in percutaneous coronary intervention (PCI) procedures for the treatment of coronary artery disease. As of the date of this report, we held 35 registered patents (including 10 invention patents and 25 utility model patents) in relation to Bioheart®, of which 33 were registered in China, one registered in the USA and one registered in Europe. We also have 14 pending patent applications in relation to Bioheart®. Bioheart® was recognized as an “innovative medical device” by the NMPA in February 2017 and is therefore eligible for an expedited approval process. On February 16, 2022, the Company completed the patient enrollment process for the clinical trial of Bioheart®. We expect to complete the required follow-ups for the confirmatory clinical trial and submit our confirmatory clinical trial results to the NMPA for its approval in the first quarter of 2023.

Bio-Leap™, a below-the-knee (BTK) BRS system, is our self-developed innovative BRS product candidate used in percutaneous transluminal angioplasty for the treatment of lower extremity peripheral artery disease. As of the date of this report, we had completed the design of Bio-Leap™ and are currently in the process of conducting animal studies for Bio-Leap™. We currently expect to initiate the clinical trials for Bio-Leap™ in 2023 and launch the product in or around 2026.

Bioheart Ultra™, is our self-developed second-generation BRS system for the treatment of coronary artery disease featuring an estimated stent strut thickness less than 100 μm. As of the date of this report, we had completed the design of Bioheart Ultra™ and are currently in the process of conducting animal studies for Bioheart Ultra™. We currently expect to initiate the clinical trials for Bioheart Ultra™ in 2023 and launch the product in or around 2028.

RDN Product Candidate

Iberis® 2nd is our self-developed second-generation RDN system. RDN is one of the few device therapies with proven clinical efficacy to treat uncontrolled hypertension and resistant hypertension and is considered by many industry experts as having the potential to transform the treatment paradigm of hypertension.

As of the date of this report, we held 33 registered patents (including nine invention patents, 20 utility model patents and four design patents) and 19 pending invention patent applications in relation to Iberis® 2nd. Of the 33 registered patents, 32 were registered or applied in China, and one registered in Japan. Iberis® 2nd was recognized as an “innovative medical device” by the NMPA in November 2016 and is therefore eligible for an expedited approval process. The Company has contracted with the European Cardiovascular Research Center to conduct a European clinical trial evaluating Iberis® 2nd RDN system. On January 26, 2022, the Company completed the patient enrollment process for the clinical trial of Iberis® 2nd. We expect to complete the required follow-ups for the clinical trial and submit our randomized controlled clinical trial results to the NMPA for its approval in the fourth quarter of 2022.

Management Discussion and Analysis

Other Product Candidates

We have five balloon catheter product candidates.

Bioheart® balloon dilatation catheter and **Bioheart® non-compliant (high-pressure) balloon dilatation catheter** are designed to be used in the pre- and post-dilatation procedure for stent deployment, which, together with our Core Product, will provide full-suite solutions to physicians for BRS implantation. Since these two product candidates are exempted from clinical trial requirements in China, we expect to launch them shortly after their respective development stage concludes in the second quarter of 2023.

Bioheart® impulse balloon dilatation catheters consist of three product candidates designed to remove coronary artery calcification, peripheral vascular calcification and aortic valve calcification, respectively. We expect to initiate clinical trials for Bioheart® impulse balloon dilatation catheters in the second quarter of 2023. As of the date of this report, we held three registered patents (including one utility patent) and five pending invention patent (including one PCT application) applications in relation to Bioheart® impulse balloon dilatation catheters, all of which were registered or applied in China.

For details of our products and product candidates, please refer to our Prospectus.

WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR CORE PRODUCT, BIOHEART®, OR ANY OTHER PRODUCT CANDIDATES.

Research and Development

Our research and development team has been focusing on developing medical devices for the treatment of coronary and peripheral diseases, as well as uncontrolled and resistant hypertension. We have independently developed a number of innovative medical devices and commercialized our first-generation RDN product in multiple regions. As of the date of this report, we had:

- one Core Product, one RDN product candidate, as well as seven other product candidates in various stages of development;
- 71 registered patents and 38 pending patent applications; and
- CE Marking and nine registration certificates for our first-generation RDN product commercialized in overseas markets.

Management Discussion and Analysis

Manufacturing

In preparation for the launch of our pipeline products and with an aim to capture the growing market demand to the extent possible, we have built a new plant located at Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai with a gross area of over 7,000 sq.m. The production site, which is located at the second and third floor with a total gross area of 3,600 sq.m (including a class 10,000 cleanroom production area with a gross area of over 2,000 sq.m), has passed the relevant inspections, completed the relevant filings and has been officially put into use in December 2021.

Impact of the COVID-19 Outbreak

The outbreak of COVID-19 since December 2019 did not have long-term material and adverse impact on our clinical trials or overall clinical development plans, operations, supply chains, and financial condition. With effective quarantine measures taken by the Chinese government to reduce confirmed COVID-19 cases in China, as well as the various precautionary measures implemented by us to adjust our employees' work arrangements in accordance with the relevant regulations and policies, we were able to maintain a sufficient number of personnel to work on-site and continue our research and development activities. However, the recent reported outbreak of COVID-19 in China may severely affect and restrict the general level of economic activity in Shanghai and other areas in China. Any travel restrictions or quarantine as a result of the outbreak of COVID-19 may result in potential delay with the progress of our clinical trials and our operations.

Our Directors have carried out a holistic review of the impact of the COVID-19 on our operations and confirmed that as of the date of this report, COVID-19 has not had any long-term material adverse impact on our operations. We are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact the pandemic may have on our business, results of operations and financial condition.

Future and Outlook

Our goal is to become a world-renowned chronic disease management medical device platform. We plan to implement the following strategies to achieve this goal:

- rapidly advance the clinical development and commercialization of our product candidates, especially Bioheart® and Iberis® 2nd, in order to enjoy a "first-mover" advantage in the unmet BRS and RDN markets in China;
- enhance our sales efforts and strengthen our presence in the interventional cardiovascular device market in China;
- further enhance our research and development capabilities and expand our product portfolios;
- expand our manufacturing capabilities and build our in-house sales and marketing team;
- further expand our presence in China and globally; and
- actively seek opportunities for external partnerships, strategic investments and acquisitions to facilitate our future expansion.

Management Discussion and Analysis

II. FINANCIAL REVIEW

Other Income

Our other income mainly consists of government grants, bank interest income, consulting income and others. Our government grants mainly include government subsidies for compensating our expenses relating to certain research and development projects. Our other income increased from RMB3.4 million in 2020 to RMB7.2 million in 2021. The increase was primarily attributable to (i) increase in governments grants due to more government grants received in 2021; (ii) increase in interest income due to increase in balance of cash at banks.

Administrative Expenses

Our administrative expenses mainly consist of (i) employee benefit expenses, (ii) depreciation expenses, (iii) listing expenses, (iv) professional services expenses, and (v) utilities and office expenses. Employee benefit expenses mainly include salaries, equity-settled share awards and other welfare for our administrative employees. In 2020 and 2021, we recorded equity-settled share award expenses of RMB50.0 million and RMB155.1 million respectively, under our administrative expenses.

Our administrative expenses increased from RMB81.6 million in 2020 to RMB195.4 million in 2021. The increase was primarily attributable to 1) an increase of equity-settled share award expense of RMB105.1 million as we granted restricted shares to our key administrative employees in September 2020 with service periods requirements; 2) an increase in listing expenses of RMB13.9 million mainly in connection with our listing; 3) increase of depreciation expenses of RMB4.4 million as a result of our lease of a new plant in 2021.

The following table sets forth a breakdown of our administrative expenses in absolute amounts of the total administrative expenses for the years indicated:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Employee benefits expenses	160,667	51,855
Including: equity-settled share award expense	155,144	49,993
Depreciation expenses	5,020	613
Listing expenses	19,400	5,461
Professional service expenses	5,141	21,350
Utilities and office expenses	2,755	841
Others	2,441	1,436

Management Discussion and Analysis

Research and Development Expenses

Our research and development expenses mainly consist of (i) testing fees, (ii) employee benefits expenses, (iii) costs of raw materials and consumables used, and (iv) depreciation expenses.

Employee benefits expenses under research and development expenses primarily include the salaries, welfare, and equity-settled share awards for our research and development employees. In 2020 and 2021, we recorded equity-settled share award expenses of RMB218.1 million and RMB163.6 million, respectively, under our research and development expenses. We have established incentive platforms for such purposes.

Our research and development expenses decreased from RMB245.7 million in 2020 to RMB214.2 million in 2021. The decrease was primarily due to our grant to Mr. Jay Qin, a former technology consultant of AngioCare with no service periods or performance target requirements in 2020 and incurred one-off significant equity-settled share award expense related to this issue in 2020 and partially offsetting by increase of equity-settled share award expense related to our research and development employees with service periods requirements in 2021.

The following table sets forth a breakdown of our research and development expenses in absolute amounts of the total research and development expenses for the years indicated:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Testing fees	19,889	8,611
Employee benefit expenses	173,928	222,022
Including: equity-settled share award expense	163,581	218,122
Costs of raw materials and consumables used	6,816	3,034
Depreciation expenses	8,214	8,030
Others	5,381	4,046

Management Discussion and Analysis

Other Expenses

Our other expenses mainly consist of foreign exchange differences and others.

Our other expenses decreased from RMB16.4 million in 2020 to RMB6.6 million in 2021. The decrease was primarily attributable to the net foreign exchange loss of RMB6.6 million in 2021, as compared to the net foreign exchange gain of RMB16.4 million in 2020 due to the less fluctuation of the exchange rate of USD against RMB in 2021 compared with 2020.

Finance Costs

Our finance costs mainly consist of interest on lease liabilities relating to our lease of office premises. During the Reporting Period, we entered into certain long-term lease contracts for office premises, with lease terms from one year to five years in general.

Our finance costs increased from RMB0.06 million in 2020 to RMB0.7 million in 2021. The increase was primarily attributable to increase of lease liabilities in 2021 compared with 2020.

Income Tax Expense

No provision for Mainland China income tax has been provided for at a rate of 25% pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, as the PRC entities of our Group have no estimated assessable profits.

No provision for Hong Kong income tax has been provided for at a rate of 16.5% as the Group's Hong Kong entity has no estimated assessable profits during the year.

We did not record any income tax expense during the Reporting Period.

Loss for the Year

Based on the factors described above, our net losses amounted to RMB409.8 million and RMB340.3 million in 2021 and 2020 respectively.

Liquidity and Financial Resources

Our primary uses of cash are to fund the development of our product candidates, our clinical trials, our payment for the purchase of plant and equipment, administrative expenses and other recurring expenses. Our net cash used in operating activities was RMB88.5 million as of December 31, 2021, primarily due to the significant research and development expenses and administrative expenses we incurred during the Reporting Period. Our operating cash flow will continue to be affected by our research and development expenses. During the Reporting Period, we mainly relied on capital contributions by our shareholders and equity financing as the major sources of liquidity. Our management closely monitors uses of cash and cash balances and strives to maintain a healthy liquidity for our operations. Going forward, we believe our liquidity requirements will be satisfied by a combination of net proceeds from the Global Offering and cash generated from our operations.

Management Discussion and Analysis

Our net cash used in investing activities was RMB33.7 million as of December 31, 2021, primarily due to the purchases of items of property, plant and equipment by us during the Reporting Period.

Our net cash from financing activities was RMB383.7 million as of December 31, 2021, primarily due to the net proceeds we received from our listing during the Reporting Period.

As of December 31, 2021, we had cash and cash equivalents of RMB708.5 million, representing an increase of 56.2% compared to RMB453.7 million as at December 31, 2020.

Our net current assets increased from RMB456.9 million as at December 31, 2020 to RMB719.7 million as at December 31, 2021, primarily because of increase in the cash of the Group as a result of the net proceeds we received from our listing in December 2021.

Capital Expenditure

Our capital expenditures primarily consist of expenditures on machinery, office equipment, motor vehicles as well as leasehold improvements.

Our capital expenditures increased from RMB5.7 million in 2020 to RMB34.3 million in 2021. The increase was primarily attributable to increase of machinery and leasehold improvements.

Indebtedness

As at December 31, 2021, we did not have any outstanding balance of borrowings.

As of the date of this report, we had no unutilized banking facilities.

Our lease liabilities increased from RMB1.3 million as at December 31, 2020 to RMB22.4 million as at December 31, 2021, primarily because of increase of right-of-use assets.

Gearing Ratio

The gearing ratio of the Group, which was calculated by using total liabilities divided by total assets and multiplied by 100%, was 7.2% as of December 31, 2021, increased from 5.2% as of December 31, 2020. The increase was primarily due to increase of lease liabilities and other payables and accruals.

Capital Commitments

The capital commitments of the Group as at December 31, 2021 were RMB0.9 million, representing a decrease of RMB2.0 million as compared with that of RMB2.9 million as at December 31, 2020, primarily attributable to change of capital expenditures contracted for at year end, but not yet incurred, with respect to our purchase of property, plant and equipment.

Management Discussion and Analysis

Pledge of Assets

As at December 31, 2021, the Group had no pledge of assets.

Contingent Liabilities

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

Significant Investments, Material Acquisitions and Disposals

As of December 31, 2021, we did not hold any significant investments, nor did we conduct any material acquisitions and disposals of subsidiaries.

Foreign Exchange Exposure

We are exposed to foreign currency risk mainly arising from cash at bank denominated in USD. 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.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this report, the Prospectus and other announcements of the Company, the Group had no other material capital expenditure plan as of the date of this report.

Human Resources

As of December 31, 2021, the Group had 50 employees, who were all based in China. The total employee benefits expenses of our Group, which consist of (i) wages, salaries and bonuses, (ii) social security costs, (iii) employee welfare and (iv) equity-settled share awards, for the year ended December 31, 2021 were approximately RMB334.6 million. We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We invest in continuing education and training programs 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. 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. In addition, we are required under PRC law to make contributions to statutory employee benefit plans (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds) at a certain percentage of our employees' salaries, including bonus and allowances, up to a maximum amount specified by the local government.

Management Discussion and Analysis

III. USE OF NET PROCEEDS FROM LISTING

On December 23, 2021, the Company was successfully listed on the Stock Exchange. The net proceeds received by the Group from the Global Offering after deducting underwriting fee and relevant expenses amounted to approximately HK\$441.7 million. The Company intends to apply such net proceeds in accordance with the purposes as set out in the Prospectus.

The table below sets out the planned applications of the net proceeds from the Global Offering and actual usage up to the date of this report:

Use of proceeds	Percentage of total net proceeds	Allocation of net proceeds (HK\$ million)	Utilized amount as at the date of this report (HK\$ million)	Unutilized amount as at the date of this report ⁽¹⁾ (HK\$ million)	Expected timeline of full utilization of the unutilized proceeds ⁽²⁾
To fund the ongoing confirmatory clinical trial, preparation for registration filings, and planned commercial launch of our Core Product, Bioheart®	62.0%	273.85	–	273.85	December 2026
To fund the ongoing randomized controlled clinical trial in China for, and the continuous development of, our RDN product candidate, Iberis® 2nd	21.3%	94.08	–	94.08	December 2026
To fund the research and development, ongoing pre-clinical studies and planned clinical trials of other product candidates in our pipeline, including Bio-Leap™, Bioheart Ultra™, our Bioheart® balloon dilatation catheter, our Bioheart® non-compliant (high-pressure) balloon dilatation catheter and our Bioheart® impulse balloon dilatation catheters	6.7%	29.59	–	29.59	December 2026
General corporate and working capital purposes	10.0%	44.17	0.16	44.01	December 2026
Total	100%	441.7	0.16	441.53	

Notes:

- As at the date of this report, the unused net proceeds were deposited with certain licensed banks in Hong Kong or the PRC.
- The expected timeline to use the remaining proceeds is prepared based on the best estimate made by the Group, which is subject to change according to the current and future development of the market condition.

Management Discussion and Analysis

IV. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after the Reporting Period and up to the date of this report.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Philip Li WANG (汪立), aged 53, was appointed as a Director on December 8, 2014, and redesignated as an executive Director on November 24, 2020. Mr. Wang is the founder of our Company and has been serving as the chairperson of the Board and the general manager of our Company since its inception. Mr. Wang is primarily responsible for the overall strategic planning, business direction and operational management of our Group.

Mr. Wang is also the founder of AngioCare and has served as a director since September 2011.

Mr. Wang has over 24 years of experience in the interventional cardiovascular medical device industry. From 2002 to 2012, he had successively served as the chief marketing officer and the chief operating officer of MicroPort Scientific Corporation, a medical device company which manufactures, markets and distributes high-end medical devices globally and is listed on the Stock Exchange (stock code: 0853). From April 2013 to April 2019, he was a director at Shanghai Kinetic Medical Co., Ltd. (上海凱利泰醫療科技股份有限公司), a medical device company principally engaged in the research, development, manufacture and sale of minimally invasive surgical systems and is listed on the Shenzhen Stock Exchange (stock code: 300326). From 2013 to December 2020, he served as the Chairperson and CEO of Essen Technology (Beijing) Co., Ltd. (易生科技金(北京)有限公司), an interventional cardiovascular device company in China with a current focus on the research and development of DES products, which was a wholly-owned subsidiary of Terumo during the Track Record Period and up to the Latest Practicable Date. We have received a written acknowledgement from Essen Technology with respect to the interests and ownership of our intellectual property, which confirms that we are not required to obtain the prior consent of Essen Technology before registering our patents and that Essen Technology is not entitled to make any claim against our Company or challenge the registration of any of our patents. In September 2020, he was appointed by Fudan University (復旦大學) as an industry mentor for the doctorate program in biology and medicine.

Mr. Wang received his bachelor of arts in international relations and his master's degree in business administration from the University of California at Davis in the United States in June 1993 and June 1996 respectively.

Mr. Yunqing WANG (王雲馨), aged 37, was appointed as a Director on September 4, 2020, and redesignated as an executive Director on November 24, 2020. He was also appointed as the chief financial officer and board secretary on November 24, 2020, and joint company secretary on December 9, 2020. Since joining our Group, Mr. Yunqing Wang has participated in the daily operations of our Group and is primarily responsible for the overall financial management of our Group.

From September 2006 to December 2011, Mr. Yunqing Wang had served as an audit manager at Ernst & Young Hua Ming LLP (安永華明會計師事務所上海分所). From December 2011 to October 2015, he had served as a senior manager at PricewaterhouseCoopers Consultants (Shenzhen) Limited. From October 2015 to September 2020, Mr. Yunqing Wang had successively served as an executive director and a deputy general manager at Shanghai Qianji Xinghe Venture Capital Management Co., Ltd. (上海千驥星鶴創業投管理有限公司).

Mr. Yunqing Wang obtained his bachelor's degree in financial management from Zhejiang University (浙江大學) in June 2006 and his master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in August 2019. Mr. Yunqing Wang is a member of the Shanghai Institute of Certified Public Accountants since April 2012.

Directors, Supervisors and Senior Management

Non-executive Directors

Ms. Li CAI (蔡俐), aged 38, was appointed as a Director on September 23, 2020, and redesignated as a non-executive Director on November 24, 2020. Ms. Cai is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies.

From 2007 through 2008, Ms. Cai worked as a research analyst at Credit Suisse AG (New York), where she was responsible for equity research for large cap of medical supplies and devices companies. From March 2009 to July 2011, Ms. Cai worked as an investment associate at HAO Capital (Haotian Jinsheng Investment Management) (Beijing) Limited (浩天金聲投資管理顧問(北京)有限公司), focusing on growth stage healthcare investments. Ms. Cai joined TPG Capital in August 2011 and currently serves as a managing director of TPG Capital, a leading global alternative asset firm. She is responsible for TPG Capital's healthcare investments in Greater China.

Outside our Group, Ms. Cai currently holds the following positions:

- a managing director at TPG Capital;
- a non-executive director at Kangji Medical Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 9997), since March 2020;
- a director at Zhejiang Choisun Tea Development Co., Ltd. (浙江久晟油茶科技股份有限公司) since December 2015, whose shares were once traded on the National Equities Exchange and Quotations;
- a supervisor at Shanghai Deyu Deqi Enterprise Management Consulting Co., Ltd. (上海德虞得起企業管理諮詢有限公司) since November 2016;
- a non-executive director of Novotech Health Holdings Pte. Ltd ("NHH") invested by TPG Capital since May 12, 2021. Ms. Cai joined NHH in August 2017 as a director of PPC Holdco and its subsidiaries. She currently holds multiple directors at NHH's subsidiaries set out below:

Name of company	Period
PPC Holding Company	August 2017 – Present
PPC Intermediate Holding Company	August 2017 – Present
Bailixing (Xiamen) Equity Investment Co., Ltd. (百立興(廈門)股權投資有限公司)	August 2017 – Present
Acrostar Pharmaservices Corporation (徐州立順康達醫藥科技有限公司)	August 2017 – Present
PPC Koera Co., Ltd	August 2017 – Present
PPC K.K.	September 2017 – Present
PPC China Corporation Limited (上海百利佳生醫藥科技有限公司)	October 2017 – Present
PPC China Clinical Research Corporation Limited (上海立興佳生醫藥科技有限公司)	February 2018 – Present
Acrostar Site Management Co., Ltd. (南京立順康達醫藥科技有限公司)	January 2019 – Present
Biosuntek Laboratory Co., Ltd.	December 2019 – Present
Novotech Aus Holdco Pty Ltd	July 2020 – Present
Novotech Holdings Pty Ltd	July 2020 – Present
Novotech (Australia) Pty Ltd	July 2020 – Present

Directors, Supervisors and Senior Management

- a non-executive director at Zhaoke Ophthalmology Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6622), since October 2020; and
- a non-executive director at Dingdang Health Technology Group Ltd. since May 2021.

Ms. Cai received her bachelor's degree in biomedical engineering and economics from Yale University in Connecticut, the United States in May 2007.

Mr. Quan ZHOU (周瓌), aged 46, was appointed as a Director on September 4, 2020, and redesignated as a non-executive Director on November 24, 2020. Mr. Zhou is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies.

Mr. Zhou is also a director of AngioCare since September 15, 2020.

From December 2007 to September 2010, he was a senior analyst at the Morningside Group Limited (香港晨興集團), where he was primarily responsible for venture capital investments. He has served as the director and general manager of Legend Capital Limited (君聯資本管理股份有限公司) since September 2010. Since May 18, 2018, Mr. Zhou is the supervisor of Berry Genomics Company Limited (成都市貝瑞和康基因技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000710).

Mr. Zhou obtained his bachelor's degree in molecular biology and biological sciences from the University of Science and Technology of China (中國科學技術大學) in July 1999. He obtained his master's degree in science from the National University of Singapore in December 2005. He obtained his master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in March 2008. Since January 20, 2020, Mr. Zhou has served as a director of Shanghai Aohua Photoelectricity Endoscope CO.,LTD. (上海澳華內鏡股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 688212).

Mr. Ji CHEN (陳紀), aged 34, was appointed as a non-executive Director on November 24, 2020. Mr. Chen is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies.

Since April 2017, Mr. Chen worked as a director in investment, vice president in senior investment management at Shanghai Jiachen Investment Company Limited (上海甲辰投資有限公司), a Shareholder of our Group.

From July 2012 to October 2014, Mr. Chen was a research intern at the Shanghai Institute of Materia Medica (中國科學院上海藥物研究所), where he was primarily responsible for research. From October 2014 to March 2017, he was an investment manager at the Shanghai GTJA Investment Company (上海高特佳投資管理有限公司), where he was primarily responsible for investments.

Mr. Chen obtained his bachelor's degree in pharmaceutical engineering from Xi'an Jiaotong University (西安交通大學) in July 2009. He obtained his master's degree in pharmaceutical chemistry from the Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院) in June 2012.

Directors, Supervisors and Senior Management

Mr. Jie YIN (陰杰), aged 46, was appointed as a Director on November 1, 2020, and redesignated as a non-executive Director on November 24, 2020. Mr. Yin is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies.

Mr. Yin has over 20 years of experience in product development and marketing. From August 1996 to November 1998, Mr. Yin was at China National Publications Import & Export Corporation (中國圖書進出口上海公司). From November 1998 to November 1999, he was at a product manager at Shanghai Ubi Computer Software Co. (上海育碧電腦遊戲有限公司). From March 2000 to October 2000, he was at Shanghai Duolaimi Information & Technology Company (多來米信息科技(上海)有限公司). From October 2000 to May 2001, he was at Shanghai Bertelsmann Information & Technology Company (上海貝塔斯曼信息技術有限公司). From November 2001 to October 2005, he was at the CIIC Shanghai Economic and Technical Cooperation Corporation. (中智上海經濟技術合作公司). From January 2007 to August 2011, he was a sales and product manager at Johnson & Johnson Medical Devices Ltd (強生(中國)醫療器材有限公司), where he was primarily responsible for the marketing and sales of cardiac interventional medical devices. From November 2011 to June 2012, he was at GE Healthcare China (通用電氣醫療(中國)有限公司), where he was primarily responsible for formulating and executing marketing strategies for medical equipment and services. From July 2012 to March 2014, he was a director of business development at Shanghai MicroPort Medical Group Company Limited (上海微創醫療器械(集團)有限公司). From July 2014 to October 2017, he was a principal at Qiming Weichuang Venture Capital Management (Shanghai) Co., Ltd (啟明維創創業投資管理有限公司), where he was primarily responsible for investing in medical equipment. From November 2017 to June 2019, he was a managing partner at Shanghai Guohe Capital, where he was primarily responsible for setting up healthcare funds and investing in the medical field. He has been a partner at Yuanbio Venture Partners (蘇州工業園區元福創業投資管理企業(有限合夥)) since June 2019, where he is primarily responsible for investing in medical equipment. Since January 2022, he has been the founder and chief executive officer of AccuPulse Medical Technology (Suzhou) Co. Ltd (蘇州艾科脈醫療技術有限公司).

Mr. Yin obtained his bachelor's degree in international trade at the Shanghai University of Finance and Economics (上海財經大學) in June 1996, and his master's degree in business administration from the International Institute for Management Development (IMD Lausanne, Switzerland) in November 2006. He also obtained the China Securities Investment Fund Industry Practice Certificate (中國證券投資基金業從業證書) from the Asset Management Association of China (中國證券投資基金業協會) in March 2019.

Independent Non-executive Directors

Mr. Charles Sheung Wai CHAN (陳尚偉), aged 67, as an independent non-executive Director, is responsible for supervising and providing independent judgment to our Board. Mr. Chan has more than 40 years of experience in corporate finance, financial regulations and risk management. Mr. Chan started his career as an auditor at the Canadian office of Arthur Andersen in 1977 and was promoted to partnership in 1988. He subsequently joined the China & Hong Kong office of Arthur Andersen as an audit partner in 1994. From July 2002 to June 2012, Mr. Chan was a partner of the China & Hong Kong office of PricewaterhouseCoopers. Mr. Chan served as a member of the Election Committee for the first Legislative Council of Hong Kong in 1998 and a member of the Listing Committee of the Hong Kong Stock Exchange. Mr. Chan was a council member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan has been serving as an independent non-executive director of companies listed on the Stock Exchange, including SRE Group Limited (stock code: 1207), Maoyan Entertainment (stock code: 1896), Hansoh Pharmaceutical Group Company Limited (stock code: 3692) and Sun Art Retail Group Limited (stock code: 6808) since July 2012, February 2019, June 2019 and January 2021 respectively. From May 2016 to May 2019, he was an independent non-executive director of CITIC Securities Company Limited, a company listed on the Stock Exchange (stock code: 6030). From September 2013 to April 2020, he was an independent non-executive director of Changyou.com, which was listed on the NASDAQ until privatization in April 2020.

Mr. Chan obtained his bachelor's degree in commerce from the University of Manitoba in May 1977. He is a member of both the Chartered Accountants of Canada and the Hong Kong Institute of Certified Public Accountants.

Directors, Supervisors and Senior Management

Mr. Xubo LU (魯旭波), aged 41, as an independent non-executive Director, is primarily responsible for supervising and providing independent judgment to our Board.

From May 2012 to June 2016, he had successively served as the board secretary and director at Zhejiang Kangsheng Company Ltd (浙江康盛股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 002418). From August 2014 to August 2020, he was an independent director at the Shanghai Kinetic Medical Co., Ltd. (上海凱利泰醫療科技股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 300326). From June 2020 to September 2020, he was the executive director and the legal representative of Hangzhou Quality Point Network Technology Company Ltd (杭州質點網絡科技有限公司).

Outside our Group, Mr. Lu currently holds directorships or senior positions in the companies below:

Name of company	Position	Period
FV Asset Management Hangzhou Co., Ltd (杭州安益資產管理有限公司)	Founding partner, head of risk control and compliance	July 2016 to present
Zhangjiakou Xiangyin Biological Technology Company Limited (張家口祥音生物科技有限公司)	Director	April 2017 to present
Zhejiang Anyi Think Tank Education Foundation (浙江安逸智庫教育基金會)	Secretary general	January 2018 to present

Mr. Lu obtained his bachelor's degree in law from the Zhejiang University of Finance & Economics (浙江財經大學) in June 2003. He obtained his PRC legal professional qualification in February 2008.

Mr. George Chien Cheng LIN (林潔誠), aged 51, as an independent non-executive Director, is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Lin has been serving as a member of the Biotech Advisory Panel of the Stock Exchange since April 30, 2018. He has over 18 years of experience in investment banking, working for numerous private and public companies globally. Since May 2018, he has served as the executive director of Hua Medicine, which is listed on the Hong Kong Stock Exchange (stock code: 2552). Since December 2017, he has been Hua Medicine's executive vice president and chief financial officer. From June 2013 to December 2017, he was an investment banker at the Bank of America Merrill Lynch in Hong Kong, and held a number of senior positions including Asia Pacific head of consumer, retail and healthcare investment bank, and managing director in global investment banking. From July 2000 to May 2013, he worked for Credit Suisse as an investment banker in the Los Angeles, San Francisco and Hong Kong offices. At Credit Suisse, he focused on financings, and merger and acquisitions for a variety of global clients, including, but not limited to, U.S. biotechnology companies and Chinese healthcare companies. His last position at Credit Suisse was managing director in Investment Banking Department based in Hong Kong. Prior to investment banking, Mr. Lin practiced corporate law in Los Angeles including working for O'Melveny & Myers for over four years from September 1995 to July 1999.

Directors, Supervisors and Senior Management

Mr. Lin obtained his bachelor's degree in biological sciences from the University of California at Davis in June 1992 and a juris doctor degree from the University of Chicago Law School in June 1995. Mr. Lin was admitted to the California State Bar in December 1995.

SUPERVISORS

Ms. Peili WANG (王佩麗), aged 38, was appointed as a Supervisor on October 25, 2018. Ms. Wang is primarily responsible for the supervision of the performance of the Directors and senior management members. Ms. Wang has also been our financial manager since July 1, 2014 and the financial manager of AngioCare since September 2011.

Ms. Wang has over 10 years of experience in financial management. From September 2004 to June 2005, she was an accountant at the Korman Shipping Company Limited (上海和明航運服務有限公司). From July 2005 to May 2006, she was an accountant at the Shanghai Heming International Freight Company Limited (和明國際貨運有限公司). From June 2006 to July 2010, she was the financial manager of Shanghai Xiyuan International Trading Company (上海曦原國際貿易有限公司). From August 2010 to December 2013, she was the financial manager of Forerunner Medical (Shanghai) Company Limited (方潤醫療器械科技(上海)有限公司).

Ms. Wang obtained her part-time bachelor's degree in accountancy from the Shanghai University of Finance and Economic (上海財經大學) in January 2009. She was admitted as Certified Public Accountant in China in May 2010.

Mr. Tao CAI (蔡濤), aged 36, was appointed as a Supervisor on December 8, 2020. Since July 2014, he has been serving as our Group's head of technology (BRS). As the head of technology (BRS), Mr. Cai is primarily responsible for directing and overseeing the research and development of our Group.

From March 2011 to March 2012, Mr. Cai was the research and development engineer at Midea Soymilk Maker Company (美的豆漿機公司). From March 2012 to March 2013, he was the research and development engineer at the Beijing Taijie Weiye Technology Company Limited (北京泰傑偉業科技有限公司), where he was primarily responsible for the development of neuro-interventional medical devices and intracranial stent products. From April 2013 to July 2014, he was a research and development engineer at Beijing Advanced Medical Technology Limited (北京阿邁特醫療器械有限公司), where he was primarily responsible for the development of absorbable coronary stents through three-dimensional printing technology.

Mr. Cai obtained his bachelor's degree in material engineering from the Changchun University of Science and Technology (長春理工大學) in July 2008, and his master's degree in inorganic chemistry from the same university in April 2011.

Directors, Supervisors and Senior Management

Mr. Chenzhao ZHANG (張晨朝), aged 38, was appointed as a Supervisor on December 8, 2020. Since January 15, 2016, he has been serving as our Group's head of technology (RDN). As the head of technology (RDN), Mr. Zhang is primarily responsible for directing and overseeing the research and development of our Group.

Since January 2017, Mr. Zhang is also the head of technology at AngioCare.

From January 2011 to March 2015, he served as the project manager at Yinyi (Liaoning) Biotech Company Limited (遼寧垠藝生物科技股份有限公司) (formerly known as the Liaoning Biomaterial Research and Development Centre Company Limited (遼寧生物醫學材料研發中心有限公司), where he was primarily responsible for project development and production management. From March 2015 to January 2016, he was a research and development engineer at the Shanghai Kinetic Medical Co., Ltd. (上海凱利泰醫療科技股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 300326). From October 2018 to March 2020, he was the project director of Shanghai Heartcare Medical Technology Company Limited (上海心瑋醫療科技有限公司) ("SH Heartcare"), a neuro-interventional medical device company in China. From April 2020 to July 2020, he was the project director of Weiming Medical Devices (Shanghai) Company Limited (瑋銘醫療器械(上海)有限公司) ("Weiming Medical"), a wholly-owned subsidiary of SH Heartcare focusing on the manufacturing and sales of medical devices.

Mr. Zhang obtained his bachelor's degree in medicine from Dalian University (大連大學) in July 2008. He obtained his master of science degree in biomedical engineering from the Dalian University of Technology (大連理工大學) in July 2011. He is currently pursuing his doctor of philosophy degree in biology and medicine at Fudan University (復旦大學).

SENIOR MANAGEMENT

Mr. Philip Li WANG (汪立), aged 53, has been our general manager since July 18, 2014. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management – Directors – Executive Directors" in this section.

Mr. Yunqing WANG (王雲馨), aged 37, has been our chief financial officer and board secretary since November 24, 2020. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management – Directors – Executive Directors" in this section.

Mr. Tao CAI (蔡濤), aged 36, has been our head of technology (BRS) since July 18, 2014. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management – Directors – Supervisors" in this section.

Mr. Chenzhao ZHANG (張晨朝), aged 38, has been our head of technology (RDN) since January 15, 2016. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management – Directors – Supervisors" in this section.

Ms. Peili WANG (王佩麗), aged 38, has been our financial manager since July 1, 2014. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management – Directors – Supervisors" in this section.

Dr. Bradley Stewart HUBBARD, aged 63, has been the chief medical officer of the Company since March 1, 2021 and is responsible for supporting research and development and trials leading to regulatory approval.

Directors, Supervisors and Senior Management

Dr. Hubbard has more than 20 years of experience in clinical research and development in the medical device sector. From July 1994 to October 2001, he was the manager of preclinical research for all the business units of the vascular intervention division at Guidant Corporation. From October 2001 to December 2009, he was the general manager of Surpass-Silicon Valley, LLC (previously known as LyChron, LLC), a company specializing in preclinical CRO, where he oversaw all the operations of the preclinical laboratory located in Silicon Valley. From January 2009 to January 2018, he was the managing director at Gateway Medical Innovation Center (匯智贏華醫療科技研發(上海)有限公司), and was primarily responsible for managing the operation of facilities. From May 2018 to February 2019, he assisted in the founding of West Point Technology (Chengdu) Biotechnology Co., Ltd. (西點科創(成都)生物科技有限公司), and had served as the chief executive officer until February 2021.

Dr. Hubbard obtained his bachelor's degree in animal sciences in December 1980 and his doctoral degree in veterinary medicine from the University of Missouri in May 1984. He obtained his veterinary license for Texas in June 1984, and California in June 2003.

JOINT COMPANY SECRETARIES

Mr. Yunqing WANG (王雲馨), aged 37, was appointed as a joint company secretary of our Company on December 9, 2020. Mr. Yunqing Wang is also an executive Director, chief financial officer, and board secretary of our Company. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management – Directors – Executive Directors" in this section.

Ms. Sarah Siu Ying KWOK (郭兆瑩), aged 38, was appointed as a joint company secretary of our Company on December 9, 2020. Ms. Kwok joined Vistra Corporate Services (HK) Limited since July 2014 and now serves as a manager of corporate services of Vistra Corporate Services (HK) Limited. She has over six years of experience in the corporate services industry.

Ms. Kwok received a bachelor's degree in Business Studies from University College Dublin, National University of Ireland in June 2012 and a master's degree in Corporate Governance from the Hong Kong Metropolitan University (香港都會大學) (formerly the Open University of Hong Kong) in November 2017. She has been an associate member of The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and an associate member of The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom since 2018. Furthermore, Ms. Kwok is currently a joint company secretary of Shanghai HeartCare Medical Technology Corporation Limited, a company listed on the Stock Exchange (stock code: 6609).

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

The Company has adopted the CG Code (version up to December 31, 2021) contained in Appendix 14 to the Listing Rules, as its own code to govern its corporate governance practices. As the shares of the Company were listed on the Stock Exchange with effect from December 23, 2021, the CG Code did not apply to the Company during the period before the Listing Date.

Except for code provisions A.2.1 and A.2.7 set out below, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date up to the date of this annual report.

The Company will adopt the new CG Code (version with effect from January 1, 2022), the requirement under which shall apply to the Company's corporate governance report in the forthcoming financial year ending December 31, 2022.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of chairperson and chief executive should be separate and should not be performed by the same individual. Mr. Wang is our chairperson of the Board and the general manager of our Company. Mr. Wang has extensive experience in the pharmaceutical industry and has served in the Company since its establishment. Mr. Wang is in charge of overall management, business, strategic development and scientific research and development of the Group. Despite the fact that the roles of our chairperson of the Board and our general manager are both performed by Mr. Wang which constitutes a deviation from paragraph A.2.1 of the CG Code, the Board considers that vesting the roles of the chairperson of the Board and the chief executive officer in the same person is beneficial to the management of the Group. The Board also believes that the combined role of the chairperson of the Board and the chief executive officer of the Company can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board.

The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises two executive Directors (including Mr. Wang), four non-executive Directors and three independent non-executive Directors, and therefore has a strong independent element in its composition. 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 chairperson and the chief executive officer is necessary.

Corporate Governance Report

BOARD MEETINGS

Code provision A.2.7 of the CG Code stipulates that the chairperson should at least annually hold meeting with the independent non-executive Directors without the presence of other Directors.

There had not been any meeting held by the chairperson with the independent non-executive Directors without the presence of other Directors during the period from the Listing Date and up to December 31, 2021. The chairperson intends to hold at least one meeting per year with the independent non-executive Directors without the presence of other Directors.

DIRECTORS' AND SUPERVISORS' 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, Supervisors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the Model Code during the period from the Listing Date up to December 31, 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the period from the Listing Date up to December 31, 2021.

BOARD OF DIRECTORS

As of the date of this annual report, the Board comprises two executive Directors, four non-executive Directors, and three independent non-executive Directors.

Executive Directors

Mr. Philip Li WANG (*Chairperson, chief executive officer and general Manager*)

Mr. Yunqing WANG (*Chief financial officer, board secretary and joint company secretary*)

Non-executive Directors

Ms. Li CAI

Mr. Quan ZHOU

Mr. Ji CHEN

Mr. Jie YIN

Independent Non-executive Directors

Mr. Charles Sheung Wai CHAN

Mr. Xubo LU

Mr. George Chien Cheng LIN

Save as disclosed in this annual report, there is no any relationship (including, financial, business, family or other material/relevant relationship(s)) between the Board members.

Corporate Governance Report

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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.

During the period from the Listing Date up to December 31, 2021, the Board at all times met 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.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors, non-executive Directors and independent non-executive Directors of the Company has entered into a service contract with the Company which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

None of the Directors has or is proposed to have entered into any service contract with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

Pursuant to the Articles of Association, the Directors are elected and appointed by the Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

The Company may, in accordance with the Articles of Association, by ordinary resolution remove any Director before the expiration of his/her term of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director.

Where vacancies on the Board exist, the Nomination Committee evaluates skills, knowledge and experience required by the Board, and identifies if there are any special requirements for the vacancy. The Nomination Committee identifies appropriate candidates and convenes Nomination Committee meeting to discuss and vote in respect of the nominated Directors and recommends candidates for Directors to the Board.

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board.

The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

Corporate Governance Report

The Company has a director nomination policy. When evaluating and determining the candidates of Directors, the Nomination Committee and the Board of Directors shall consider the following factors: personal characters, professional qualifications, skills, knowledge, and experience related to the Group's business and strategy; willing to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board of Directors; whether their appointment is in compliance with the requirements of the Listing Rules (including the independence requirements of independent non-executive Directors); whether their appointment is in compliance with the Company's Board diversity policy and any measurable targets adopted by the Nomination Committee to diversify the members of the Board.

RESPONSIBILITIES OF THE DIRECTORS

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 has delegated the authority and responsibility 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.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

DIRECTORS', SUPERVISORS' AND SENIOR MANagements' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover for Directors', Supervisors' and senior managements' liabilities in respect of legal actions against Directors, Supervisors and senior managements of the Company arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

Every newly appointed Director should receive 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.

During the Reporting Period, all Directors, namely Mr. Philip Li WANG, Mr. Yunqing WANG, Ms. Li CAI, Mr. Quan ZHOU, Mr. Ji CHEN, Mr. Jie YIN, Mr. Charles Sheung Wai CHAN, Mr. Xubo LU and Mr. George Chien Cheng LIN were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. All Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary. All Directors are encouraged to attend relevant training courses at the Company's expenses and required to submit a signed training records to the Company on an annual basis.

Corporate Governance Report

Prior to the listing of the Company, each of the aforesaid Directors has attended the training courses conducted by legal adviser of the Company. The content of such training was related to the duties of directors and on-going obligations of listed companies.

BOARD COMMITTEES

Audit Committee

The Company has established an Audit Committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code on December 9, 2020. The Audit Committee comprises three independent non-executive Directors, namely Mr. Charles Sheung Wai CHAN, Mr. George Chien Cheng LIN, and Mr. Xubo LU with Mr. Charles Sheung Wai CHAN being the chairperson of the committee. The written terms of reference of the Audit Committee are available on the respective websites of the Stock Exchange and the Company.

The primary function of the Audit Committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board which includes, amongst other things:

- proposing to the Board of Directors the appointment and replacement of external audit firms;
- supervising the implementation of our internal audit system;
- liaising between our internal audit department and external auditors;
- reviewing our financial information and related disclosures; and
- other duties conferred by the Board of Directors.

Remuneration Committee

The Company has established a Remuneration Committee with terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code on December 9, 2020. The Remuneration Committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. Xubo LU, Mr. Charles Sheung Wai CHAN, and Ms. Li CAI with Mr. Xubo LU being the chairperson of the committee. The written terms of reference of the Remuneration Committee are available on the respective websites of the Stock Exchange and the Company.

The primary function of the Remuneration Committee is to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements which includes, amongst other things:

- establishing, reviewing and making recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management;

Corporate Governance Report

- determining and making recommendations to the Board on the terms of the specific remuneration package of each Director and members of senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and
- other duties conferred by the Board of Directors.

Details of the remuneration payable to each Director for the year ended December 31, 2021 are set out in Note 9 to the financial statements.

The remuneration (including equity-settled share award expense) of the members of senior management (including two Directors) of the Group by band for the year ended December 31, 2021 is set out below:

Remuneration bands (RMB)	Number of Senior Management
190,000,000-200,000,000	1
20,000,000-30,000,000	3
10,000,000-20,000,000	1
1,000,000-10,000,000	1
Total	6

Nomination Committee

The Company has established a Nomination Committee with terms of reference in compliance with the CG Code on December 9, 2020. The nomination committee comprises one executive Director, two independent non-executive Directors, namely Mr. Philip Li WANG, Mr. Charles Sheung Wai CHAN and Mr. Xubo LU, with Mr. Philip Li WANG being the chairperson of the committee. The written terms of reference of the Nomination Committee are available on the respective websites of the Stock Exchange and the Company.

The primary function of the Nomination Committee is to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things:

- reviewing the structure, size and composition of our Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- assessing the independence of our independent non-executive Directors;

Corporate Governance Report

- making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of our Directors; and
- other duties conferred by the Board of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

As at the date of this annual report, our Board consists of eight male members and one female member with three Directors of age 31 to 40 years old, three Directors of age 41 to 50 years old, two Directors of age 51 to 60 years old and one Directors of over 60 years old. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

NOMINATION POLICY

All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence (for appointment of independent non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board.

CORPORATE GOVERNANCE FUNCTION

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

The Board had reviewed:

- the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements;
- code of conduct and compliance manual (if any) applicable to employees and Directors;
- the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- training and continuous professional development of Directors and senior management relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

Corporate Governance Report

BOARD MEETINGS AND COMMITTEE MEETINGS

The Company became listed on December 23, 2021. The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration Committee shall meet at least once every year; and the Audit Committee shall meet at least twice a year. Notices of not less than fourteen days are given for all Board and committee meetings to provide all Directors or committee members with an opportunity to attend and include matters in the agenda for a regular meeting. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairperson of the board or the committee members prior to the meeting. Minutes of meetings are kept by the Joint Company Secretaries with copies circulated to relevant Board or Board Committee for comments and records.

Minutes of the Board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Board or committee members and dissenting views expressed. Draft minutes of each Board meeting and committee meeting are sent to the relevant board or committee members for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

Due to the fact that the Company was listed on December 23, 2021, no Board meeting, no Audit Committee meeting, no Remuneration Committee meeting, and no Nomination Committee were held during the period from the Listing Date up to December 31, 2021.

GENERAL MEETING

Due to the fact that the Company was listed on December 23, 2021, no general meeting was held during the period from the Listing Date up to December 31, 2021.

Corporate Governance Report

BOARD DIVERSITY POLICY

Pursuant to Rule 13.92 of the Listing Rules, the Nomination Committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report.

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the Board Diversity Policy, we seek to achieve the diversity of the Board through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, educational background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution that the selected candidates will bring to the Board.

The Company has taken, and will continue to take, steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. As of the date of this annual report, the Board consists of eight male members and one female member with three Directors of age 31 to 40 years old, three Directors of age 41 to 50 years old, two Directors of age 51 to 60 years old and one Directors of over 60 years old. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

Going forward, the Company will continue to work to enhance gender diversity of the Board. The Board will use its best endeavors to appoint female Directors to the Board (keeping in mind the importance of management continuity and the timeline for retirement and re-appointment of Directors under the Articles) and Nomination Committee will use its best endeavors and on suitable basis to identify and recommend multiple suitable female candidates to the Board for its consideration on appointment of a Director. The Company will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that the Company will have a pipeline of female management and potential successors to the Board in due time to ensure gender diversity of the Board. The Group will continue to emphasize training of female talent and providing long-term development opportunities for female staff.

Directors have a balanced mix of knowledge and skills, including in biochemistry, software engineering, business development, investment management and corporate finance. The Company has three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of the Board. Further details on the biographies and experience of the Directors are set out on page 16 to page 23 of this annual report.

Corporate Governance Report

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract, (ii) a confidentiality and intellectual property agreement and (iii) a non-competition agreement with our senior management members and other key personnel (other than Directors). Below sets forth the key terms of these contracts we normally enter into with our senior management and other key personnel.

Confidentiality

- *Confidentiality obligations.* The employee shall, during the course of employment with our Group and thereafter, keep in confidence all proprietary information including, among others, trade secrets, know-how and other non-public information belonging to our Group or other third parties to whom our Group owes confidentiality obligations. Without our Group's written consent, the employee shall not leak, disclose, use or otherwise make available to any third party proprietary information belonging to our Group or other third parties to whom our Group owes confidentiality obligations in any manner and shall not utilize such information beyond his or her scope of work.

Ownership of intellectual work products

- *Acknowledgement.* The employee acknowledges and agrees that our Group shall own all intellectual work products he or she produces during the course of employment with our Group and within one year after his or her departure from our Group, provided that the work products relate to any task assigned to the employee or are otherwise related to the business of our Group or are produced using the resources or information of our Group.

Non-competition

- *Non-competition obligation.* During the term of his/her employment with our Group and within one or two years (as the case may be) following termination of his/her employment, the employee shall not (i) engage in any businesses which are in competition with or in conflict with our Group, (ii) directly or indirectly solicit or induce our employees to leave our Group or its associated companies, or (iii) directly or indirectly induce or require our Group's or its associated companies' suppliers or customers to terminate their current businesses or negotiations with our Group or its associated companies.

Compensation for breach of covenants

- If the employee breaches the obligations under the confidentiality and intellectual property agreement or non-competition agreement, our Group shall be entitled to recover from the employee any losses incurred as a result of such breach by the employee.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. The audit committee, and ultimately the Board supervises the implementation of our risk management policies. Risks identified by senior management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by the Company and reported to the Board.

Senior management implements the risk management policies, strategies and plans set by the Board. Senior management is responsible for (i) formulating our risk management policy and reviewing major risk management issues of our Company; (ii) providing guidance on our risk management approach to the relevant teams in our Company and supervising the implementation of our risk management policy by the relevant departments; and (iii) reporting to our audit committee on our material risks.

Each functional team, including the finance and investment team, monitors and evaluates the implementation of risk management and internal control policies and procedures on a regular basis. The Board will meet in-person every quarter, as necessary. In order to formalize risk management across our Company and set a common level of transparency and risk management performance, the relevant teams will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report bi-annually for our chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

Before each Board meeting, an agenda is prepared with input from Directors, as well as from senior management and other vice presidents. At Board meetings, depending on the agenda, different team heads will gather information relating to their functions and report to the Board on the relevant agenda items, as necessary. The Board secretary will attend all Board meetings to ensure that there is no gap in communication between the two bodies. During Board meetings, the Board will on occasion further review and/or analyze particular issue and report their findings at the next Board meeting. The Board believe that the corporate structure provides an appropriate system of checks and balances to improve the risk management procedures.

The Audit Committee also reviews and approves our risk management policy to ensure that it is consistent with our corporate objectives, reviews and approves our corporate risk tolerance, monitors the most significant risks associated with our business operation and our management's handling of such risks, reviews the corporate risk in light of the corporate risk tolerance, and monitors and ensures the appropriate application of the risk management framework across the Company.

Corporate Governance Report

The Company has adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with strategic objectives on an on-going basis. The Board is responsible for establishing internal control system and the Board, as supported by the Audit Committee as well as the management, annually reviewed the effectiveness of the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Internal Control

The Board is responsible for establishing internal control system and reviewing its effectiveness. To monitor the ongoing implementation of our risk management policies and corporate governance measures, the Company has adopted, among other things, the following risk management and internal control measures:

- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems.
- the appointment of Mr. Yunqing WANG as the chief financial officer and joint company secretary, and Ms. Sarah Siu Ying KWOK as the joint company secretary to ensure the compliance of our operation with relevant laws and regulations.
- the appointment of Maxa Capital Limited as the compliance adviser upon the Listing to advise us on compliance with the Listing Rules;
- the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary; and
- the adoption of various measures and procedures regarding each aspect of our business operation, such as related party transaction, risk management, patient data and privacy, environmental protection and occupational health and safety. We provide training about these measures and procedures to our employees across different departments as part of our employee training program. Our audit department conducts audit field work to monitor the implementation of our internal control policies and the compliance status, reports the weakness identified to our management and audit committee and follows up on the rectification actions.

In addition, the Company has adopted internal control measures to ensure our compliance with the applicable laws and regulations with respect to the handling of scientific data involving state secrets, national security, social public interests, commercial secrets or personal privacy ("Sensitive Scientific Data"), which measures primarily include:

- adopting strict requirements for desensitizing, collecting, using, reproducing, storing, and transferring scientific data;
- providing trainings periodically to the senior management and employees to enhance their knowledge of the applicable laws and regulations regarding the protection of Sensitive Scientific Data;
- forbidding any transfer of Sensitive Scientific Data, and requiring any transfer of scientific data (including but not limited to those in relation to clinical trial results) abroad or to foreign parties to be submitted to the Board for pre-approval; and
- desensitizing all scientific data before transferring them to any third parties.

Corporate Governance Report

Finally, the Company has adopted various internal regulations against corrupt and fraudulent activities, which include measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorizing our audit and supervision department to assume responsibility for daily execution of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistle blower and conducting internal investigations;
- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks;
- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance;
- requiring our employees, especially those involved in procurement and other business functions which are more susceptible to bribery and corruptions, to abide by our compliance requirements, and make necessary representations and warranties to our Company;
- communicating our anti-bribery and anti-corruption principles to the CROs and SMOs we engaged for our clinical trials and require them to comply with our anti-bribery and anti-corruption principles; and
- establishing a supervision system that allows complaints and reports regarding non-compliant behavior of our employees and external customers and suppliers to be submitted to our management.

The Directors are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. For the year ended December 31, 2021, the Company was not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities, and to the best knowledge of the Directors, none of our employees were involved in any bribery or kickback arrangements.

The Company has designated responsible personnel to monitor our ongoing compliance with relevant laws and regulations that govern our business operations, and to oversee the implementation of any necessary measures. Meanwhile, we plan to provide our Directors, senior management and relevant employees with continuing training programs and updates regarding the relevant laws and regulations on a regular basis, with a view to proactively identifying any concerns or issues relating to any potential non-compliance. We believe that we have established adequate internal procedures, systems and controls in relation to anti-corruption and anti-bribery law compliance.

Dissemination of Inside Information

The Group regulates the handling and dissemination of inside information according to internal procedures and policy so as to ensure inside information remains confidential until the disclosure and publication of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board is responsible for approving the policy on disclosure of inside information which aims at providing guiding principles, practices and procedures to assist employees and officers of the Group in (i) relaying inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (ii) communicating with the Group's stakeholders, in ways which are in compliance with the SFO and the Listing Rules.

Corporate Governance Report

An employee who becomes aware of a matter or event that he/she considers to be material or inside information shall report to his division/department head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report to the Board and/or the company secretary of the Company

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 80 to 84 of this annual report.

AUDITOR'S REMUNERATION

Audit fees of the Group for the year ended December 31, 2021 payable to the external auditors were approximately RMB1.8 million and the Group incurred approximately RMB0.4 million in 2021 for non-audit services related to taxation.

Details of the fees paid or payable to the Company's auditors in respect of all services for the year ended December 31, 2021 are set out in the table below:

Services rendered for the Company	RMB'000
Audit services	1,830
Services in connection with the Listing	3,044
Non-audit services	
– taxation	430
Total	5,304

JOINT COMPANY SECRETARIES AND PRIMARY CONTACT OF THE COMPANY

The Company engaged Ms. Sarah Siu Ying KWOK, the manager of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as a joint company secretary of the Company. Mr. Yunqing WANG is another joint company secretary of the Company, and is the primary contact of Ms. Sarah Siu Ying KWOK at the Company.

In compliance with Rule 3.29 of the Listing Rules, Mr. Yunqing WANG and Ms. Sarah Siu Ying KWOK both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the Reporting Period.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Rights to Convene Extraordinary General Meeting

To safeguard Shareholders' interests and rights, the Shareholders are encouraged to participate at the general meetings of the Company and to vote thereat. An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The annual general meeting of the Company will provide a forum for the Board and the Shareholders to communicate. The Board will answer questions raised by Shareholders at the annual general meeting.

Pursuant to Article 87 of the Articles of Association, the general meeting shall be convened by the Board. If the Board is unable or fails to fulfill the obligation of convening the meetings of the general meeting, the Board of Supervisors shall convene such meetings. If the Board of Supervisors does not convene such meetings, the Shareholders individually or jointly holding no less than 10% of the Company's shares for no less than 90 consecutive days may convene such meetings on their own.

Procedures for Putting Forward a Proposal at the General Meeting

Pursuant to Article 59 of the Articles of Association, shareholders who individually or collectively hold more than 3% of the Company's shares shall have the rights to propose interim resolutions and submit them in writing to the Board 10 days prior to the general meeting. Pursuant to Article 68 of the Articles of Association, at the general meeting held by the Company, shareholders severally or jointly holding 3% or more of the total voting shares of the Company are entitled to propose new resolutions in writing to the Company. The Company shall place such resolutions on the agenda for such meeting if they are matters falling within the scope of duties of the shareholders' general meeting.

Procedures for a Shareholder of the Company to propose a person for election as a Director

Subject to the Articles of Association and the Company Law, the Directors shall be elected by the general meeting.

Article 102 of the Articles of Association provides that written notice concerning proposed nomination of a director candidate and indication of the candidate's intention to accept the nomination shall be sent to the Company seven (7) days before the shareholders' general meeting is convened. When calculating the time limit of the notice, the date of the meeting and the day on which the notice is given shall be excluded.

Right to Put Enquiries to the Board

Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: Room 302, 3/F, Building 4, No.590 Ruiqing Road, East Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC
Attention: Mr. Yunqing WANG
Email: info@bio-heart.com

Enquiries will be dealt with in a timely and informative manner.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; and (v) the Company's H share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

DIVIDEND POLICY

We currently expect to retain all future earnings for use in the operation and expansion of our business, and do not have any dividend policy to declare or pay any dividends in the near future. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and the PRC Company Law. The declaration and payment of any dividends in the future will be determined by our Board, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial conditions and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by our PRC Legal Adviser, according to the PRC law, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for, and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from the Listing Date, and is available on the respective websites of the Stock Exchange and the Company.

Save as disclosed above, there is no other change in constitutional documents of the Company during the Reporting Period.

Environmental, Social and Governance Report

REPORTING SCOPE AND PERIOD

The Company released the 2021 Environmental, Social, and Governance (ESG) Report. The report discloses information concerning the ESG performance of the Company and its subsidiaries (collectively referred to as “the Group”) for the fiscal year from 1 January 2021 to 31 December 2021 (hereinafter referred to as “the reporting period”).

REPORTING STANDARDS

This report is prepared in compliance with the “ESG Reporting Guide” in Appendix 27 of the Main Board Listing Rules of The Stock Exchange. Unless otherwise stated, this report covers the major subsidiaries of Bio-heart. Key Performance Indicators (“KPIs”) in environmental area cover the offices and factories of the Group in China and Hong Kong.

ASSURANCE ON THE RELIABILITY OF DATA

The data and cases cited herein mainly come from statistical reports and relevant documents of the Group. The Board of Directors of the Company pledges that the report does not contain any false records or misleading statements, and is liable for the truthfulness, accuracy and completeness of the report.

REPORT CONFIRMATION AND APPROVAL

This report was approved by the Board of Directors upon confirmation from the management on 18 March 2022.

REPORTING PRINCIPLES

During its preparation, the Group adhered to the reporting principles of materiality, quantitative, balance and consistency in the ESG Reporting Guide. For details, please refer to the following table.

Materiality:

Key ESG issues are identified through materiality assessment and relevant information on the key issues are disclosed in the ESG report.

Quantitative:

Quantitative information in environmental and social areas is presented in the ESG report, accompanied by a narrative, explaining its purpose and impacts. The comparative data will be provided in the future ESG reports.

Consistency:

This is our first ESG report and we will use consistent methodologies to disclose ESG information in the following years for meaningful comparison.

Balance:

Following the principle of balance, this report provides an unbiased picture of the Group’s performance on ESG management in 2021.

FEEDBACK

We value the opinions from our stakeholders, hence we welcome your feedback on our sustainability report and sustainability performance. Please share with us your views via email to inquiry@bio-heart.com.

Environmental, Social and Governance Report

1. ESG GOVERNANCE

1.1 ESG strategy

Bio-heart is a leading interventional cardiovascular device provider in China. Following the corporate mission of “Turning innovation into quality care”, we are committed to:

1. Be the domestic leader in the fields of cardiovascular, peripheral and hypertension;
2. Use our best endeavors on bringing health and wellness to patients all over the world

Bio-heart strives to achieve sustainable development through technological innovation. We have integrated ESG management concepts into our daily operation processes such as product quality, employee management, business ethics and compliance operations. We proactively listen to key stakeholders to deliver sustainable impact and use every endeavor to create values, so as to create value for all stakeholders including shareholders, investors, customers, suppliers, employees, government and the community.

1.2 ESG management

The Group adheres to the sustainable development strategy and is committed to provide innovative medical products and services for the society. The Board is the highest decision-making body of the ESG management of the Group. The Board is responsible for formulating the Group’s ESG strategy and objectives, and consistently evaluate, prioritize and manage material ESG-related issues and risks. The Board also regularly reviews the performances of ESG and the progress of achieving ESG objectives. In order to help carry out ESG work effectively, the Group has set up an ESG working group with participants from department heads or senior management. The working group is responsible for the implementation of ESG work, the compilation of annual ESG report, and regularly reports ESG matters to the Board.

1.3 Stakeholder Communication

Our main stakeholders include government and regulatory bodies, shareholders, customers, suppliers, employees, media, community residents and the public. We attach great importance to the daily communication with stakeholders, and have established a sound stakeholder communication mechanism through regular and continuous communication in various channels, in hope of soliciting and responding to their expectations and concerns. We timely disclose our information on production, operation and development strategy to enhance stakeholders’ understanding and recognition of the Company.

Environmental, Social and Governance Report

2. COMMITMENT TO PATIENT

We are committed to providing high quality innovated products to the patients. We have embedded a lifecycle quality monitoring system in our operations.

2.1 Supply chain management

We focus on the sustainable development of supply chain, strictly abide by the Law of the People's Republic of China on Tenders and Bids 《中華人民共和國招投標法》, and other laws and regulations. We have established internal documents and procedures such as Procurement Control Procedure 《採購控制程序》, Procurement Implementation Management System 《採購實施管理制度》 and Qualify Supplier Management System 《合格供方管理制度》 so as to standardize the processes of supplier selection, evaluation and elimination to ensure the quality of our products and services. We search for suitable suppliers according to the demand of products and services in different channels.

In addition to factors like price, quality and supply stability, the Group also put the emphasize to make sure suppliers meet admission standards and align with our ESG targets. Building an appropriate control on the long-term and stable supplier relations can ensure the Group purchases from suppliers meet specified requirements.

Through document audit, sample approval, on-site audit and other methods, we review suppliers from perspectives of business qualification, quality management, registration documents, production environment, production process etc. Suppliers that successfully pass the review will be added to the Approved Supplier List (ASL) 《合格供方清單》. To further ensure the quality of suppliers, even after they passed assessment, they have to go through a trial process and if they fail to meet requirement, they will be removed from the "Qualified Supplier List".

In 2021, there are total 294 approved suppliers. Among the suppliers, 281 are located in China (including Hong Kong) and 13 are located in the United States. We conduct the comprehensive evaluation for suppliers under ASL annually, and manage the suppliers by categories (A to C) according to the evaluation results. The suppliers with low scores are required to take measures to make rectifications and get re-evaluated within a specified period of time. We will terminate cooperation relationship for the suppliers who fail to pass the re-evaluation and those who cannot meet our minimum score requirements. We attach great importance to the communication with suppliers and maintain interaction with them through hotline, business negotiations and irregular field visits etc.

Embracing the green partner management concept, the Group also takes into account the involvement of suppliers in fulfilling social responsibilities and environmental protection. The Group request suppliers to manage energy conservation and reduce emissions, and urge them to get used to adopting more eco-friendly products and services, so as to contribute to society and the environment.

Environmental, Social and Governance Report

2.2 Product responsibility

Quality management

As a leading provider of innovative medical products and solutions, we strictly abide by the Product Quality Law of the People's Republic of China 《中華人民共和國產品質量法》, Measures for the Supervision and Administration of Medical Device Production 《醫療器械生產督管理辦法》, Good Manufacturing Practices for Medical Devices 《醫療器械生產質量管理規範》 and other laws and regulations. We take a holistic view of quality across our organization and beyond, and consistently improve our quality management system striving for excellent quality for our products and services. Our quality management system is established in accordance with GMP standards and the ISO 13485:2016 Medical devices – Quality management systems and have received certifications in China.

We have established a quality management system, including the field audit records, procedure documents, quality control documents, forms and records. A dedicated team was established to be responsible for quality assurance. In order to verify the compliance and effectiveness of the Group's quality management system, we hold internal and external audits annually to find out the weaknesses of the system and urge us for continuous improvement. In 2021, we held 2 external audits and 2 internal audits meeting.

We provide internal and external education and training, covering key post skills, current regulatory requirements, product knowledge etc., to all our employees who have responsibilities for product quality.

Quality control

Our quality control and regulatory team is involved in every aspect of our daily operations to ensure the quality control of our products. We implement quality control measures throughout our manufacturing phases, including the procurement phase, the design phase, the production phase and the product launch phase.

Product recall

The Group is at the stage of developing their product during the year. We will formulate a "Customer Complaint Handling Control Procedure" for the handling of products complaints to ensure timely and effective handling of customer complaints and to maintain meaningful communication with customers in the future.

Environmental, Social and Governance Report

3. COMMITMENT TO COMPLIANCE

We are committed to build a culture of compliance with the Group that engages all our employees for ethical behaviour.

3.1 Business ethics

All employees of the Group strictly adhere to the Criminal Law of the People's Republic of China 《中華人民共和國刑法》, Interim Provisions on Banning Commercial Bribery 《關於禁止商業賄賂行為的暫行規定》, and other applicable anti-corruption and bribery laws and regulations. We formulated the Anti-fraud Policy 《反舞弊制度》, to layout the reporting, prevention and control, and investigation mechanisms against any unethical behaviours.

We have developed a sound governance structure for business ethics management:

- The Board has the responsibility to supervise and guide the anti-fraud and to establish an anti-fraud cultural environment within the Group and establish the internal control system preventing fraudulent activities.
- The management is responsible for maintaining the internal control system, setting up reporting channel, implementing control measures and taking remedial measures to reduce the chance of fraudulent activities within the Group.
- All staff shall abide by the Group's code of conduct and relevant national and industrial laws and regulations, and report fraudulent activities to anti-fraud through proper channels.

Our internal employees and external stakeholders can use e-mail, suggestion boxes and other channels to report unethical behaviours. Our anti-fraud office conducts investigations on relevant reports and submit investigation results to the Board. Any discrimination or retaliation against reporters will not be tolerated, and the reporters will be protected in assisting the investigation. If fraud cases are identified, we will take remedial measures to rectify the internal control of the affected business units. For the employees who are confirmed to have fraud, we will punish them according to our internal regulations; for those who violate the law, we will transfer them to the judicial organs for further handling. We carried out anti-fraud training for our staff aiming to eliminate phenomenon harmful to our business such as abusing power for personal gain, dereliction of duty and taking bribes.

In 2021, we were not involved in any violation incidents related to corruption, bribery, extortion, fraud or money laundering.

Environmental, Social and Governance Report

3.2 Intellectual property (IP)

Intellectual property is crucial to the success of the Group. Our strong R&D and innovation efforts build the strong foundation of our business success. Protecting our IPs is essential for us to maintain competitiveness in the market. Thus, while being committed to technological innovation, we also regard intellectual property protection such as patent application and trademark registration as vital and conducive to the Group's healthy and sustainable long-term development.

We strictly abide by the Patent Law of the People's Republic of China 《中華人民共和國專利法》, the Trademark Law of the People's Republic of China 《中華人民共和國商標法》 and other laws and regulations. We formulated the Intellectual Property Management Policy 《知識產權管理制度》 with the intent to develop a culture that protects our IPs from growing external threats and organize IP protection training for the staff. As of 31 December 2021, we had 67 registered patents and 24 registered trademarks, as well as 28 pending patent applications and 16 pending trademark applications.

We are committed to protecting intellectual properties of the Company as well as other parties, including patents, trademarks and copyrights. Use of all such properties must be in accordance with applicable laws and regulations. Any forms of infringement of intellectual property rights are forbidden. During the year, there was no reported incident of violation of intellectual property rights, patents or trademarks.

3.3 Compliance marketing

Fair dealing and truthful advertising are essential for preserving the reputation of the Company. We use trademarks, images, labels and other information properly, and strictly manage the authenticity, accuracy and compliance of the marketing information applied in the whole marketing process. During the year, the Group was not aware of any incidents of non-compliance with laws and regulations having a significant impact on the Group relating to marketing.

3.4 Data security and privacy protection

The Group adheres to laws and regulations such as the Cybersecurity Law of the People's Republic of China 《中華人民共和國網絡安全法》 and the Regulations on the Management of Information Security 《信息安全管理制度》. We undertake serious measures for protecting IT resources and data privacy of the Company and its stakeholders, including employees, business partners and customers. Our privacy policy and IT policy stipulate the principles and responsibilities on personal data protection, as well as preventive mechanisms for checking information leakage. Employees in high risk positions are required to sign confidentiality agreements. Disciplinary actions are taken against individuals who have violated the policy. The Company takes the responsibility to ensure that no unauthorised person is able to access confidential information.

We also respect the privacy of patients, customers and employees and ensure that individual information will not be leaked and abused. We sign confidentiality agreement with our business partners to avoid leakage of privacy. During the year, the Group was not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to customer privacy matters.

Environmental, Social and Governance Report

4. COMMITMENT TO EMPLOYEE

Upholding the “people first” policy, the Group is of the view personnel management is an important key to achieving sustainable business development. Our innovative solutions to address unmet needs of patients are supported by our dedicated and talented employees. The Group values the opinions of employees and believes good employee relations are crucial to long-term development of its business. Therefore, effective communication channels have been set up for employees in different age groups and assistance appropriate to their needs is offered, with the aim of maintaining a harmonious work place, and ultimately enhance work efficiency and productivity as a whole.

4.1 Compliance employment

The Group strictly abides by the Labour Law of the People’s Republic of China 《中華人民共和國勞動法》, the Labour Contract Law of the People’s Republic of China 《中華人民共和國勞動合同法》 and other laws and regulations, and has established the Employee Handbook 《員工手冊》 which details standards covering compensation and dismissal, recruitment and promotion, working hours and rest periods, labour standards and diversity and other benefits and welfare for our employees.

As of 31 December 2021, we had 50 employees and all are located in China. 49 are full-time employees and 1 is part-time employee. Details of whom are as follows:

Total workforce by gender:

Male	15
Female	35

Total workforce by age group:

Under age of 30	13
Age 30-50	34
Age Over 50	3

Environmental, Social and Governance Report

We strictly follow relevant laws and regulations to implement dismissal process. As of 31 December 2021, the employee turnover rate in 2021 was as follows:

Employee turnover rate by gender:

Male	3/50
Female	2/50

Employee turnover rate by age group:

Under 30	2/50
30-50	3/50
Over 50	0/50

Recruitment and promotion

The Group encourages and advocates equal opportunities and diversity. We recruit talents through talent market, online platforms, on-campus job fair, internal referral and other channels to build our employer brand that can meet the needs of our business. It forbids engagement in or support discrimination based on ethnicity, social class, gender, etc. in such areas as recruitment, salary and promotion. To hire the most suitable talent, the Group will arrange interviews based on job requirements, making sure it is best capable of identifying and retaining the right talent.

We have set up different career paths for the management, general and technical personnel with corresponding different promotion channels. We assess each talent according to the performance appraisal result and skill sets, combined with measures such as talent review, various training programs to provide equal and consistent opportunities for them to achieve career ambitions.

We have a performance appraisal system, and regularly conduct comprehensive appraisal assessment on the staff's work performance, work ability and work attitude. Through a set of closed loop performance management system, employees can continuously improve their work performance, work ability and professional skills. The assessment results will affect the promotion, salary adjustment and dismissal arrangements of employees. We regularly conduct comprehensive talent review, from dimensions of "Performance" and "Ability", to understand the current situation of talents, identify high potential talents in enterprises, and establish a perfect talent development system, which provide sufficient decision-making basis for the selection, recruitment, education and retention of talents.

Environmental, Social and Governance Report

Compensation and benefits

We provide market-competitive compensation, the level of which our employees receive will be driven by their qualification, experience, potential and performance. The Group's employees in the PRC will be entitled to five national statutory social insurances (including basic pension insurance, basic medical insurance, work-related injury insurance, maternity insurance and unemployment insurance) as well as commercial and accident insurance under the statutory Employment Ordinance of the PRC. In addition to local statutory holidays such as the basic paid annual leave and maternity leave, female employees are also entitled to prenatal leave.

Working hours and holidays

We implement the standard working hours system requiring employees to work eight hours a day and five days a week. Employees who need to work overtime should fill in the overtime application form, which will take effect after being reviewed by the department head and countersigned by the Human Resources Department. In addition to legal holidays, employees are entitled to annual leave, personal leave, sick leave, marriage leave, maternity leave, bereavement leave, work-related injury leave, etc.

Employee care

We are committed to provide our employees with a warm and safe working environment and take a holistic approach to employee well-being. We offer programs that support healthy work-life harmony, promote employee communication, and encourage employees to make suggestions for the improvement of the Group.

Labour standards and diversity inclusion

We strictly abide by the Labor Law of the People's Republic of China 《中華人民共和國勞動法》, Provisions on the Prohibition of Using Child Labor 《禁止使用童工規定》 and other laws and regulations, and prohibit any forms of child labor and forced labour. All works are voluntarily performed and shall not involve forced labour, debt repayment or contractually bound labour or involuntary prison labour. The Group prohibits recruitment of child labor, or workers aged below 15 (or at legally forbidden age). The HR Department also checks identity documents and conducts interview to verify the age of candidates before hiring. Should the Group discover any child labor, it would rectify the situation according to the "Child Labor Rescue and Help Procedures", terminate the employment and arrange a physical examination to check the health of the child, and the expenses would be bore by the Group.

We do not tolerate forced labour through violence, threats, coercion or unlawful restraint. The Group does not tolerate any physical, sexual, psychological or verbal harassment or abuse of employees. We have procedures in place to ensure relevant policies are properly implemented throughout the Company. These include giving relevant training, employee interviews and surveys, and conducting onsite visits and audits regularly. Issues or enquiries raised by employees via different channels will be handled and investigated by the Group carefully and in strict confidence.

In 2021, we do not have any cases of child and forced labour. We treat every employee equally in recruitment, promotion, training etc., and have zero tolerance in any discrimination and unfair treatment in the workplace due to gender, nationality, race, marital status, age or religious belief.

Environmental, Social and Governance Report

4.2 Health and safety

The health and safety of our employees is a priority for us. We strictly follow relevant laws and regulations on occupational health and safety, including the Work Safety Law of the People's Republic of China 《中華人民共和國安全生產法》 and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases 《中華人民共和國職業病防治法》, and have established the Rules for the Administration of Safe Production 《安全生產管理規程》 to manage work safety and occupational health of our employees. We do not have any work-related injuries and fatalities occurred in 2021.

We conduct the fire drill every year to enhance staff's awareness of fire prevention and safety accident response ability. We also regularly provide safety education training programs to the employees. The training content covers safety production requirements, hazard sources, identification of safety hidden dangers, safety protection, safe operation, etc.

In order to do a solid job in COVID-19 pandemic prevention and control and help employees to get back to work, we established a pandemic control leading group and formulated the Epidemic Response Manual 《疫情應對手冊》 for our employees. We consolidated disinfection measures, carried out disease prevention training for employees and purchased emergency supplies ensuring that we can survive this crisis. During the Reporting Period, the Group did not have any reported case of COVID-19 infection, evidencing the effectiveness of its preventive measures.

4.3 Development and training

Talents are one of the most important assets of the Group, the Group has staff development and training policies designed to help employees realise their potentials.

Developing our people professionally is one of the most important things to us. We have standardized employee training in the Employee Handbook 《員工手冊》 and developed the learning platform for employees in accordance with the Employee Training Control Procedure 《員工培訓控制程序》 and business needs. In 2021, the training status of our employees was as follows:

Number of employees trained by gender:

Male	15
Female	34

Average training hours completed per employee by gender:

Male	2.20
Female	2.03

Environmental, Social and Governance Report

Percentage of employees by employee category:

Senior management	16%
Middle management	20%
Staff	64%

Average training hours completed per employee by employee category:

Senior management	2.75
Middle management	2.00
Staff	1.94

We have developed diversified training programs to help our employees improve their working abilities and experience:

- New employee training: carried out by the Human Resource Department during the process of new employee onboarding, to provide employees basic knowledge such as company culture, post responsibility, company business, etc. necessary to start their work.
- Management skills training: designed for management level employees, to deepen the management's understanding of corporate culture, and improve leadership, promoting sustainable development of the Group.
- Professional skills training: cover areas including special operations, procurement, marketing, finance, etc. to build employees' professional capacities.
- General skills training: intended to improve general knowledge, such as time management, communication skills, office skills, etc.
- Management System training: cover areas including On the Job Training, job transfer, SOP, internal policies, legal training etc.

Environmental, Social and Governance Report

5. COMMITMENT TO ENVIRONMENT

Bio-heart strictly abides by the Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》, the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China 《中華人民共和國固體廢物污染環境防治法》 and other relevant environmental laws and regulations in our daily operation. We advocate the concept of "green and sustainability" and are committed to making progresses towards a sustainable future by proactively addressing carbon emissions, waste management, energy and water use. We formulate internal environmental policies in order to reduce the impacts on the environment arising from our operations.

5.1 Emissions

The Group has established the Working Environment Control Procedure 《工作環境控制程序》 and Hazardous Chemical Management System 《危險化學品管理制度》 and enhance employees' awareness to reduce emissions in our daily operational processes, consistently improve production methods and efficiency, and ensure that wastes are properly handled and treated.

We reduce emissions in the following ways:

- The domestic wastes generated in the office areas and non-hazardous wastes generated in the production process are collected, classified and finally treated by the Municipal Sanitation Department.
- The hazardous wastes are collected and stored in the hazardous waste warehouse, then entrusted with qualified hazardous waste treatment companies for proper treatment.
- The Group has obtained the pollutant discharge permit approved by the Environmental Protection Agency and the domestic wastewater is discharged to the municipal wastewater network for treatment.
- Greenhouse gas emissions (GHG emissions) are mainly from direct greenhouse gas emissions generated by gasoline consumption of vehicles (Scope 1) and indirect greenhouse gas emissions generated by purchased electricity (Scope 2). Therefore, energy saving measures are taken to reduce the GHG emissions.
- The Group conducts regular inspections on noise impact in our factories and carries out regular equipment maintenance

Environmental, Social and Governance Report

Bio-heart's types of GHG emissions and waste production during the period are as follows:

GHG emissions in total (tCO ₂ e) ¹	562.57
Direct GHG emission (Scope 1) (tCO ₂ e)	18.03
Energy indirect GHG emission (Scope 2) (tCO ₂ e)	544.54
Intensity of GHG emissions (tCO ₂ e/staff)	11.72
Effluent in total (tonnes)	1,611.47
Hazardous waste produced in total (tonnes) ²	0.5
Intensity of hazardous waste (tonnes/staff)	0.01
Non-hazardous waste produced in total (tonnes) ³	1.60
Intensity of non-hazardous waste (tonnes/staff)	0.03

Notes:

1. GHG emissions are presented as CO₂ equivalent. The GHG emissions from gasoline combustion and purchased electricity are calculated following the Accounting Methods and Reporting Guide of Greenhouse Gas Emissions of Machinery Equipment Manufacturing Enterprises (Trial) 《機械設備製造企業溫室氣體排放核算方法與報告指南》 issued by the National Development and Reform Commission ("NDRC"). The GHG emission factor for purchased electricity comes from the Average CO₂ Emission Factors for Regional Power Grids in China 《中國區域電網平均二氧化碳排放因子》.
2. The hazardous wastes generated by the Group mainly include waste liquid, waste filtering materials, solid waste and waste containers and bottles from laboratories.
3. The non-hazardous wastes generated by the Group mainly include domestic waste from the office area and production waste from the manufacturing workshop.

Every year, we compile statistics on annual greenhouse gas emissions and formulate short term (1 year) and long term (5 year) emission reduction targets are as follow:

	1 year	5 year
GHG gases emission	-2%	-8%
Non-hazardous waste production	-2%	-8%

Environmental, Social and Governance Report

5.2 Resource management

We advocate efficient energy management to reduce our carbon footprint. In accordance with relevant laws including the Law of the People's Republic of China on Energy Conservation and the Energy Policy, we have established Procedures for the Management of Energy Conservation, continuously reducing energy consumption and improving energy efficiency by optimizing energy structure and applying advanced energy management technologies.

The Group also take technical measures to reduces the energy and resources use.

- The air-conditioning system comprises of 6 units of air-conditioners, which adopts an intelligent control module. When the temperature and humidity of a particular area meets certain requirements, only the air-conditioner of that unit will be activated, while other units remained inactivated. This can reduce unnecessary power consumption.
- and purification system of the of the office and Clean Workshop will turn on and off automatically to reduce unnecessary power consumption.
- The Company's overall office lighting is energy-saving LED lamps.
- Keep track of the water consumption pattern through regular monitoring of water metres and monthly reports on consumption, to spot unusual water usage. Cases of water leakage in factories, water supply systems and other facilities are swiftly addressed.
- Minimize the use of packaging materials without sacrifice the product quality by tailor-made the packaging design with the supplier.
- The company's sterilization revolving cartons and other packaging materials are used repeatedly.

Bio-heart's energy consumption during the period are as follows:

Energy consumption in total (MWh) ²	970.91 MWh
Total direct energy consumption (MWh)	78.38 MWh
Total indirect energy consumption (MWh)	892.54 MWh
Intensity of energy consumption (MWh/staff)	20.23 MWh/staff
Water consumption in total (tonnes) ³	1,611.47 tonnes
Intensity of water consumption (tonnes/staff)	33.57 tonnes per staff

Notes:

1. Considering that our business activities do not have a significant impact on the environment and natural resources, thus A3 (environment and natural resources) and KPI A3.1 (description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) are not disclosed in the Report.
2. Energy consumption is presented in MWh and mainly consists of the consumption of purchased electricity and gasoline. The conversion factors for gasoline comes from the default values of relevant parameters of the Accounting Methods and Reporting Guide of Greenhouse Gas Emissions of Machinery Equipment Manufacturing Enterprises (Trial) 《機械設備製造企業溫室氣體排放核算方法與報告指南(試行)》 issued by the NDRC.

Environmental, Social and Governance Report

3. The Group's water consumption comes from the municipal water supply and is mainly for domestic and production use.
4. As of the end of the Reporting Period, products from Transcatheter Valve Therapeutic Business haven't officially commercialized, thus we will not disclose KPI A2.5 (Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced).

Every year, we compile statistics on energy consumption and formulate short term (1 year) and long term (5 year) emission reduction targets are as follow:

	Short term	Long term
Electricity consumption	-2%	-8%
Adoption of renewable energy	+2%	+8%
Water consumption	-3%	-8%

5.3 Climate change risk management

As natural resources have been consumed, used and collected excessively, the frequency and intensity of incidents such as extreme weather have kept increasing. Climate change has become a global issue that we all need to tackle nowadays. The Group is very much alive to the urgency of the issue and has actively responded to the call of the international society by doing its utmost best to realise low-carbon green development in areas such as product design, production processes and waste recycling.

Responding to emergencies such as extreme weathers including strong winds, super typhoon, flooding caused by climate change and earthquake, or fire, toxic chemical leak explosion, etc., the Group has laid down the Emergency Plan Management Procedures 《應急預案管理制度》 and Management Rules of Emergency Plan for Enterprise Production Safety 《企業生產安全應急預案管理規程》 to improve the handling of all kinds of accidents, disasters and health events. The Group has set up the emergency rescue organisation which comprises of emergency rescue headquarter and four professional emergency action groups, namely Accident rescue action group, Logistic support action group, Information Liaison action group and Rehabilitation action group. We want to ensure that corresponding rescue work can be conducted quickly and effectively in any kind of safety emergencies to minimize casualties and property losses. We have also incorporated the safety emergency knowledge into our training plan, and hold at least one safety emergency drill per year to increase the capacity of emergency rescue and handling.

6. COMMITMENT TO THE COMMUNITY

We believe that the well-being of the community is an important factor in the long-term development of our Group. Despite the impact of the epidemic, we try our best to participate in the construction and development of local communities and fulfil our corporate citizenship responsibility. During the Reporting Period, the Group continues to contribute to the community through increasing investment while organises cultural and recreational activities for employees with an aim to relieve work pressure and help them to achieve work-life balance, and to enhance employee's sense of social responsibilities and dedication to the society.

Report of the Directors

The board of directors is pleased to submit this report together with the audited financial statements of the Group for the year ended December 31, 2021.

GLOBAL OFFERING

The Company is a joint stock company incorporated in the PRC with limited liability. Its H Shares were listed and traded on the Stock Exchange on December 23, 2021. The Prospectus dated December 13, 2021 has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bio-heart.com). For use of proceeds from the Global Offering, please refer to the section headed "Management Discussion and Analysis" in this annual report.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the research and development of two therapies: (i) bioresorbable scaffold (BRS) therapy addressing the unmet medical needs of Chinese patients for the treatment of coronary or peripheral artery diseases, and (ii) renal denervation (RDN) therapy addressing the unmet medical needs of patients for the treatment of uncontrolled hypertension and resistant hypertension. The activities of the Company's subsidiaries are set out in Note 1 to the financial statements.

An analysis of the Company's net results for the year by principal activities is set out in the section headed "Management's Discussion and Analysis" in this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the Group's performance during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year, and an indication of likely future development in the business of the Group are provided in the section headed "Chairperson's Statement", "Management Discussion and Analysis" and "Report of the Directors" of this annual report. All such discussions form part of this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving.

The Group is subject to environmental protection and occupational health and safety laws and regulations in China. During the Reporting Period, the Group complied with the relevant environmental and occupational health and safety laws and regulations in China. The Group did not have any incidents or complaints, which had a material and adverse effect on its business, financial condition or results of operations. Discussions on the Group's environmental policies and performance, the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its stakeholders that have a significant impact on the Group and on which the Group's success depends, are provided in the sections headed "Environmental, Social and Governance Report", "Report of the Directors" and "Corporate Governance Report" of this annual report. All such discussions form part of this report.

Report of the Directors

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss on page 85 of this annual report.

FINAL DIVIDENDS

The directors do not recommend the payment of any final dividend for the year ended December 31, 2021.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

SHARE CAPITAL

Details of the shares issued during the Reporting Period are set out in Note 25 to the financial statements.

DEBENTURES ISSUED

The Group did not issue any debenture during the year ended December 31, 2021 (2020: Nil).

DISTRIBUTABLE RESERVES

As of December 31, 2021, the Company did not have any distributable reserves.

BANK LOANS AND OTHER BORROWINGS

The Group did not have any bank loans or other borrowings as at December 31, 2021 (2020: nil).

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the Reporting Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company, or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the Company's results and assets and liabilities for the last three financial years are set out in the section headed "Financial Summary" in this annual report. This summary does not form part of the audited financial statements.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The shares of the Company were first listed on the Main Board of the Stock Exchange on December 23, 2021. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to the date of this report.

SHARE OPTIONS

Neither the Company nor its subsidiaries had any share option scheme during the Reporting Period.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Philip Li Wang (*Chairperson, chief executive officer and general manager*)

Ms. Yunqing Wang (*Chief financial officer, board secretary and joint company secretary*)

Non-executive Directors

Ms. Li CAI

Mr. Quan ZHOU

Mr. Ji CHEN

Mr. Jie YIN

Independent Non-executive Directors

Mr. Charles Sheung Wai CHAN

Mr. Xubo LU

Mr. George Chien Cheng LIN

Supervisors

Ms. Peili WANG (*Chairperson*)

Mr. Tao CAI

Mr. Chenzhao ZHANG

The Company has received written confirmation from all Independent Non-Executive Directors regarding their independence as required under Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

Report of the Directors

CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

Saved as disclosed in this annual report, the Company is not aware of any changes in Directors' or Supervisors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The Company has entered into a service agreement with each of the Directors and Supervisors which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration.

The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following his/her respective appointment date; and (b) each of the agreements is subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

The Company has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director, a Supervisor and any entity connected with them had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management are set out from page 16 to 23 of this annual report.

DEED OF NON-COMPETITION

The Controlling Shareholder, Mr. Wang, entered into the Deed of Non-competition in favour of the Company, pursuant to which he has irrevocably given certain non-competition undertakings to the Company. Details of the Deed of Non-competition are set out in the section headed "Relationship with our Controlling Shareholders – Non-competition Undertakings" in the Prospectus.

During the year ended December 31, 2021, no written notice of any New Business Opportunity (as defined in the Deed of Non-competition) had been received by the Company. Mr. Wang confirmed that he has complied with the Deed of Non-competition for the year ended December 31, 2021 (the "Confirmation"). Upon receiving the Confirmation, the independent non-executive Directors of the Company have reviewed the same as part of the annual review process. In view of the above, the independent non-executive Directors have confirmed that, as far as they can ascertain, there is no breach of the non-competition undertakings in the Deed of Non-competition given by Mr. Wang.

Report of the Directors

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2021, the interests and short positions of each Directors, Supervisors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests of directors and chief executives in the Company

Name of Director/ Supervisor/ Chief Executive	Class of Shares	Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Shareholding in Total Listed Share Capital of the Company	Approximate Percentage of Shareholding in Relevant Class of Shares
Mr. Wang ⁽²⁾	Domestic Shares	Beneficial interest;	53,364,501	21.88%	53.31%
	Unlisted Foreign Shares	Interest in controlled corporation	53,359,262	21.87%	64.90%

Notes:

- (1) All interests stated are long position
- (2) Winning Powerful Limited is wholly owned by Mr. Wang. In addition, Mr. Wang is the sole executive partner of Shanghai Baixinantong and a limited partner who contributed more than one-third of the capital of Shanghai Baihate, each of which is a limited partnership established in the PRC and serves as an employee incentive platform. Accordingly, under the SFO, Mr. Wang is deemed to be interested in the equity interests held by Winning Powerful Limited, Shanghai Baixinantong and Shanghai Baihate, in addition to the equity interests he directly owns.

Save as disclosed above and to the best knowledge of the Directors, Supervisors and chief executive of the Company, as at December 31, 2021, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Report of the Directors

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

At December 31, 2021, to the best knowledge of the Directors, the following persons (not being a director or a supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares which are to be disclosed by 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:

Name	Class of Shares	Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Shareholding in Total Listed Share Capital of the Company	Approximate Percentage of Shareholding in Relevant Class of Shares
Mr. Wang ⁽²⁾	Domestic Shares	Beneficial interest; interest in controlled corporation	53,364,501	21.88%	53.31%
	Unlisted Foreign Shares		53,359,262	21.87%	64.90%
Winning Powerful Limited ⁽²⁾	Unlisted Foreign Shares	Beneficial interest	45,645,584	18.71%	55.51%
Shanghai Baihate ⁽²⁾	Domestic Shares	Beneficial interest	25,402,420	10.41%	25.38%
Shanghai Baixinantong ⁽²⁾⁽³⁾	Domestic Shares	Beneficial interest	27,962,081	11.46%	27.93%
Jay QIN ⁽³⁾	Domestic Shares	Interest in controlled corporation	27,962,081	11.46%	27.93%
Tibet Zhenshan Venture Capital Investment L.P. (Limited Partnership) ⁽⁴⁾	Domestic Shares	Beneficial interest	16,717,998	6.85%	16.70%
Xu YANG ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	16,717,998	6.85%	16.70%
Suzhou Meimingyang Investment Management Co., Ltd. ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	16,717,998	6.85%	16.70%
Kun YANG ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	16,717,998	6.85%	16.70%
Shulan ZHONG ⁽⁴⁾	Domestic Shares	Interest in controlled corporation	16,717,998	6.85%	16.70%
TPG ASIA VII SF PTE. LTD. ⁽⁵⁾	H Shares	Beneficial interest	20,753,025	8.51%	33.69%
TPG Asia VII Finance, Limited Partnership ⁽⁵⁾	H Shares	Interest in controlled corporation	20,753,025	8.51%	33.69%
TPG Asia GenPar VII, L.P. ⁽⁵⁾	H Shares	Interest in controlled corporation	20,753,025	8.51%	33.69%
TPG Asia GenPar VII Advisors, Inc. ⁽⁵⁾	H Shares	Interest in controlled corporation	20,753,025	8.51%	33.69%
TPG Holdings III, L.P. ⁽⁵⁾	H Shares	Interest in controlled corporation	20,753,025	8.51%	33.69%
TPG Holdings III-A, L.P. ⁽⁵⁾	H Shares	Interest in controlled corporation	20,753,025	8.51%	33.69%
TPG Holdings III-A, Inc. ⁽⁵⁾	H Shares	Interest in controlled corporation	20,753,025	8.51%	33.69%
TPG Group Holdings (SBS), L.P. ⁽⁵⁾	H Shares	Interest in controlled corporation	20,753,025	8.51%	33.69%

Report of the Directors

Name	Class of Shares	Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Shareholding in Total Listed Share Capital of the Company	Approximate Percentage of Shareholding in Relevant Class of Shares
TPG Group Holdings (SBS) Advisors, LLC ⁽⁵⁾	H Shares	Interest in controlled corporation	20,753,025	8.51%	33.69%
TPG Group Holdings (SBS) Advisors, Inc. ⁽⁵⁾	H Shares	Interest in controlled corporation	20,753,025	8.51%	33.69%
David Bonderman ⁽⁵⁾	H Shares	Interest in controlled corporation	20,753,025	8.51%	33.69%
James G. Coulter ⁽⁵⁾	H Shares	Interest in controlled corporation	20,753,025	8.51%	33.69%
Suzhou Chenzhide Investment L.P. (Limited Partnership) ⁽⁶⁾	Domestic Shares	Beneficial interest	9,954,710	4.08%	9.94%
Shanghai Jiachen Investment Co., Ltd. ⁽⁶⁾	Domestic Shares	Interest in controlled corporation	9,954,710	4.08%	9.94%
Yuren TAN ⁽⁶⁾	Domestic Shares	Interest in controlled corporation	9,954,710	4.08%	9.94%
Magic Grace Limited ⁽⁷⁾	H Shares	Beneficial interest	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
LC Healthcare Fund II, L.P. ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Great Unity Fund I, L.P. ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
SK China Company Limited ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Proud Solar Limited ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Loft Success Investments Limited ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Right Lane Limited ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Legend Holdings Corporation ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
LC Healthcare Fund II GP Limited ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
LC Fund GP Limited ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Union Season Holdings Limited ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Legend Capital Co., Ltd. ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%

Report of the Directors

Name	Class of Shares	Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Shareholding in Total Listed Share Capital of the Company	Approximate Percentage of Shareholding in Relevant Class of Shares
Beijing Junqi Jiarui Business Management Limited ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Tianjin Huizhi No.1 Investment Management Partnership Enterprises (Limited Partnership) ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Tianjian Junlian Jieyou Investment Management Partnership Enterprises (Limited Partnership) ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Beijing Junqi Jiarui Business Management Limited ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Linan ZHU ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Hao CHEN ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
Nengguang WANG ⁽⁷⁾	H Shares	Interest in controlled corporation	3,289,054	1.35%	5.34%
	Unlisted Foreign Shares		8,934,044	3.66%	10.87%
LVC Revitalization Limited ⁽⁸⁾	H Shares	Beneficial interest	6,314,791	2.59%	10.25%
	Unlisted Foreign Shares		3,668,246	1.50%	4.46%
Golden Valley Global Limited ⁽⁸⁾	H Shares	Interest in controlled corporation	6,314,791	2.59%	10.25%
	Unlisted Foreign Shares		3,668,246	1.50%	4.46%
Shanghai Lehong Investment Partnership ⁽⁸⁾	H Shares	Interest in controlled corporation	6,314,791	2.59%	10.25%
	Unlisted Foreign Shares		3,668,246	1.50%	4.46%
Shanghai Tanying Investment Partnership ⁽⁸⁾	H Shares	Interest in controlled corporation	6,314,791	2.59%	10.25%
	Unlisted Foreign Shares		3,668,246	1.50%	4.46%
Shanghai Shengge Investment Management Co., Ltd. ⁽⁸⁾	H Shares	Interest in controlled corporation	6,314,791	2.59%	10.25%
	Unlisted Foreign Shares		3,668,246	1.50%	4.46%
Shanghai Shengdao Investment Partnership ⁽⁸⁾	H Shares	Interest in controlled corporation	6,314,791	2.59%	10.25%
	Unlisted Foreign Shares		3,668,246	1.50%	4.46%
Shanghai Lejin Investment Partnership ⁽⁸⁾	H Shares	Interest in controlled corporation	6,314,791	2.59%	10.25%
	Unlisted Foreign Shares		3,668,246	1.50%	4.46%
Lijun LIN ⁽⁸⁾	H Shares	Interest in controlled corporation	6,314,791	2.59%	10.25%
	Unlisted Foreign Shares		3,668,246	1.50%	4.46%
Suzhou Industrial Park Xinjianyuan Phase III Venture Capital L.P. (Limited Partnership) ⁽⁹⁾	Domestic Shares	Beneficial interest	5,577,993	2.29%	5.57%
Suzhou Xinjianyuan Group Holding Co., Ltd. ⁽⁹⁾	Domestic Shares	Interest in controlled corporation	5,577,993	2.29%	5.57%
Suzhou Industrial Park Zhao Run Investment Group Holding Co., Ltd. ⁽⁹⁾	Domestic Shares	Interest in controlled corporation	5,577,993	2.29%	5.57%

Report of the Directors

Name	Class of Shares	Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Shareholding in Total Listed Share Capital of the Company	Approximate Percentage of Shareholding in Relevant Class of Shares			
Suzhou Industrial Park Management Committee ⁽⁹⁾	Domestic Shares	Interest in controlled corporation	5,577,993	2.29%	5.57%			
Xiaoyun Chen ⁽⁹⁾	Domestic Shares	Interest in controlled corporation	5,577,993	2.29%	5.57%			
Suzhou Industrial Park Zhinuo Business Information Consulting Co., Ltd. ⁽⁹⁾	Domestic Shares	Interest in controlled corporation	5,577,993	2.29%	5.57%			
Jie Chen ⁽⁹⁾	Domestic Shares	Interest in controlled corporation	5,577,993	2.29%	5.57%			
OrbiMed Capital LLC ⁽¹⁰⁾	Unlisted Foreign Shares H Shares	Interest in controlled corporation	7,336,169	3.01%	8.92%			
			2,987,823	1.22%	4.85%			
Worldwide Healthcare Trust Plc ⁽¹⁰⁾	Unlisted Foreign Shares H Shares	Beneficial interest	7,336,169	3.01%	8.92%			
			2,987,823	1.22%	4.85%			
Zhu Yin ⁽¹¹⁾	Unlisted Foreign Shares	Interest in controlled corporation	5,900,492	2.42%	7.18%			
			5,900,492	2.42%	7.18%			
Winning Forward International Limited ⁽¹¹⁾	Unlisted Foreign Shares	Beneficial interest	5,900,492	2.42%	7.18%			
			Chau Ching Hung	H Shares	Beneficial owner	26,500	0.01%	0.04%
						Interest in controlled corporation	1,803,750	0.74%
Chow Suen Mo	H Shares	Interest of spouse	1,803,750	0.74%	2.93%			
			Interest in controlled corporation	1,803,750	0.74%	2.93%		
				Interest of spouse	1,830,250	0.75%	2.97%	
Cornwell (Hong Kong) Limited	H Shares	Beneficial Interest	3,607,500		1.48%	5.86%		

Notes:

- (1) All interests stated are long position.
- (2) Winning Powerful Limited is wholly owned by Mr. Wang. In addition, Mr. Wang is the sole executive partner of Shanghai Baixinantong and a limited partner who contributed more than one-third of the capital of Shanghai Baihate, each of which is a limited partnership established in the PRC and serves as an employee incentive platform. Accordingly, under the SFO, Mr. Wang is deemed to be interested in the equity interests held by Winning Powerful Limited, Shanghai Baixinantong and Shanghai Baihate, in addition to the equity interests he directly owns.
- (3) Mr. Qin is a limited partner who contributed more than one-third of the capital of Shanghai Baixinantong. Accordingly, under the SFO, Mr. Qin is deemed to be interested in the equity interests held by Shanghai Baixinantong.

Report of the Directors

- (4) Tibet Zhenshan Venture Capital Investment L.P. (Limited Partnership) is owned as to 99.9% by Xu YANG (楊旭) as limited partner and 0.1% by Suzhou Meimingyang Investment Management Co., Ltd. (蘇州美明陽投資管理有限公司) as general partner. Suzhou Meimingyang Investment Management Co., Ltd. is owned as to 50% by Kun YANG (楊坤) and 50% by Shulan ZHONG (鍾淑蘭). Accordingly, under the SFO, Xu YANG, Suzhou Meimingyang Investment Management Co., Ltd. and Shulan ZHONG are deemed to be interested in the equity interests held by Tibet Zhenshan Venture Capital Investment L.P. (Limited Partnership).
- (5) Each of TPG Asia VII Finance, Limited Partnership (as sole ordinary shareholder of TPG Asia VII SF Pte. Ltd.), TPG Asia GenPar VII, L.P. (as a general partner of TPG Asia VII Finance, Limited Partnership), TPG Asia GenPar VII Advisors, Inc. (as a general partner of TPG Asia GenPar VII, L.P.), TPG Holdings III, L.P. (as the sole ordinary shareholder of TPG Asia GenPar VII Advisors, Inc.), TPG Holdings III-A, L.P. (as a general partner of TPG Holdings III, L.P.), TPG Holdings III-A, Inc. (as a general partner of TPG Holdings III-A, L.P.), TPG Group Holdings (SBS), L.P. (as the sole ordinary shareholder of TPG Holdings III-A, Inc.), TPG Group Holdings (SBS) Advisors, LLC (as a general partner of TPG Group Holdings (SBS), L.P.) and TPG Group Holdings (SBS) Advisors, Inc. (as the managing member of TPG Group Holdings (SBS) Advisors, LLC) is deemed to be interested in the Shares held by TPG Asia VII SF Pte. Ltd. under the SFO. TPG Group Holdings (SBS) Advisors, Inc. is controlled by David BONDERMAN and James G. COULTER, who disclaim beneficial ownership of the Shares held by TPG Asia VII SF Pte. Ltd. except to the extent of their pecuniary interest therein.
- (6) Suzhou Chenzhide Investment L.P. (Limited Partnership) is owned as to 0.60% by Shanghai Jiachen Investment Co., Ltd. (上海甲辰投資有限公司) as general partner. Shanghai Jiachen Investment Co., Ltd. is wholly owned by Yuren TAN (談玉仁). Accordingly, under the SFO, Shanghai Jiachen Investment Co., Ltd. and Yuren TAN are deemed to be interested in the equity interests held by Suzhou Chenzhide Investment L.P. (Limited Partnership).
- (7) Magic Grace Limited is owned as to 79.63% by LC Healthcare Fund II, L.P., which is owned as to 78.56% by Great Unity Fund I, L.P. as limited partner and 1% by LC Healthcare Fund II GP Limited as general partner.

Great Unity Fund I, L.P. is owned as to 48.69% by SK China Company Limited as limited partner, 48.69% by Proud Solar Limited as limited partner and 1% by LC Fund GP Limited as general partner. Proud Solar Limited is wholly owned by Loft Success Investments Limited, a wholly-owned subsidiary of Right Lane Limited, which is in turn wholly owned by Legend Holdings Corporation, a company listed on the Stock Exchange (stock code: 3396).

LC Healthcare Fund II GP Limited is wholly owned by Union Season Holdings Limited, a wholly-owned subsidiary of Legend Capital Co., Ltd. (君聯資本管理股份有限公司), which is in turn owned as to 80% by Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership) (北京君誠合眾投資管理合夥企業(有限合夥)), which is owned as to 58.12% by Tianjin Huizhi No.1 Investment Management Partnership Enterprises (Limited Partnership) (天津匯智一號企業管理諮詢合夥企業(有限合夥)) as limited partner, 41.87% by Tianjian Junlian Jieyou Investment Management Partnership Enterprises (Limited Partnership) (天津君聯傑佑企業管理諮詢合夥企業(有限合夥)) as limited partner and 0.01% by Beijing Junqi Jiarui Business Management Limited (北京君祺嘉睿企業管理有限公司) as general partner, which is held as to 20% by Nengguang WANG and 40% by Hao CHEN. Tianjin Huizhi No.1 Investment Management Partnership Enterprises (Limited Partnership) is owned as to 40.11% by Linan ZHU as limited partner and 1.39% by Beijing Junqi Jiarui Business Management Limited as general partner. Tianjian Junlian Jieyou Investment Management Partnership Enterprises (Limited Partnership) is owned as to 1.92% by Beijing Junqi Jiarui Business Management Limited as general partner.

As such, under the SFO, each of LC Healthcare Fund II, L.P., Great Unity Fund I, L.P., LC Healthcare Fund II GP Limited, SK China Company Limited, Proud Solar Limited, LC Fund GP Limited, Loft Success Investments Limited, Right Lane Limited, Legend Holdings Corporation, Union Season Holdings Limited, Legend Capital Co., Ltd., Beijing Juncheng Hezhong Investment Management Partnership Enterprises (Limited Partnership), Tianjin Huizhi No.1 Investment Management Partnership Enterprises (Limited Partnership), Beijing Junqi Jiarui Business Management Limited, Nengguang WANG, Hao CHEN, Linan ZHU and Tianjian Junlian Jieyou Investment Management Partnership Enterprises (Limited Partnership) is deemed to be interested in the equity interests held by Magic Grace Limited.

Report of the Directors

- (8) LVC Revitalization Limited is wholly owned by Golden Valley Global Limited, a wholly-owned subsidiary of Shanghai Lehong Investment Partnership (上海樂泓投資合夥企業(有限合夥)) which is in turn owned as to 0.002% by Shanghai Shengge Investment Management Co., Ltd. (上海正心谷投資管理有限公司) as general partner and 99.99% by Shanghai Tanying Investment Partnership (上海檀英投資合夥企業有限合夥) as limited partner. Shanghai Tanying Investment Partnership is owned as to 99.99% by Shanghai Lejin Investment Partnership (上海樂進投資合夥企業(有限合夥)) as limited partner, the general partner of which is Shanghai Shengdao Investment Partnership (上海盛道投資合夥企業(有限合夥)), and 0.01% by Shanghai Shengge Investment Management Co., Ltd. as general partner, a wholly-owned company of Lijun LIN. Shanghai Shengdao Investment Partnership is owned as to 1% by Lijun LIN as general partner.

As such, under the SFO, each of Golden Valley Global Limited, Shanghai Lehong Investment Partnership, Shanghai Shengge Investment Management Co., Ltd., Shanghai Tanying Investment Partnership, Shanghai Lejin Investment Partnership, Shanghai Shengdao Investment Partnership and Lijun LIN is deemed to be interested in the equity interests held by LVC Revitalization Limited.

- (9) Suzhou Industrial Park Xinjianyuan Phase III Venture Capital L.P. (Limited Partnership) is owned as to 30.72% by Suzhou Xinjianyuan Group Holding Co., Ltd. (蘇州新建元控股集團有限公司) as limited partner and 0.15% by Suzhou Industrial ParkYuanfu Investment Management L.P. (Limited Partnership) (蘇州工業園區元福創業投資管理(有限合夥)) as general partner. Suzhou Xinjianyuan Group Holding Co., Ltd. is in turn owned as to 72.58% by Suzhou Industrial Park Zhao Run Investment Group Holding Co., Ltd. (蘇州工業園區兆潤投資控股集團有限公司), which is wholly owned by the Suzhou Industrial Park Management Committee (蘇州工業園區管理委員會). Suzhou Industrial Park Yuanfu Investment Management L.P. (Limited Partnership) is owned as to 91.00% by Xiaoyun Chen (陳曉雲) as limited partner and 1.00% by Suzhou Industrial Park Zhinuo Business Information Consulting Co., Ltd. (蘇州工業園區智諾商務資訊諮詢有限公司) as general partner, which is owned as to 99.00% by Jie Chen (陳傑).

As such, under the SFO, each of Suzhou Xinjianyuan Group Holding Co., Ltd., Suzhou Industrial ParkYuanfu Investment Management L.P. (Limited Partnership), Suzhou Industrial Park Zhao Run Investment Group Holding Co., Ltd., Suzhou Industrial Park Management Committee, Xiaoyun Chen, Suzhou Industrial Park Zhinuo Business Information Consulting Co., Ltd. and Jie Chen is deemed to be interested in the equity interests held by Suzhou Industrial Park Xinjianyuan Phase III Venture Capital L.P. (Limited Partnership).

- (10) Worldwide Healthcare Trust Plc (“WWH”) is a publicly-listed investment trust organized under the laws of England. WWH is listed on the London Stock Exchange (LON: WWH). OrbiMed Capital LLC is the portfolio manager of WWH. As such, under the SFO, OrbiMed Capital LLC is deemed to be interested in the equity interests held by WWH.
- (11) Winning Forward International Limited is wholly owned by Zhu Yin (朱寅). As such, under the SFO, Zhu Yin is deemed to be interested in the equity interests held by Winning Forward International Limited.

Save as disclosed above, as of December 31, 2021, to the best knowledge of the Directors, Supervisors or chief executive of the Company, none of the substantial Shareholders of the Company had interests or short positions in the Shares and underlying Shares of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 336 of the SFO.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

During the Reporting Period, the Group had no commercialized product and therefore had no customers.

Major Suppliers

For the year ended December 31, 2021, the Group's five largest suppliers accounted for 46.0% (2020: 65.1%) of the Group's total purchases and our single largest supplier accounted for 22.0% (2020: 22.1%) of the Group's total purchases.

During the Reporting Period, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares of the Company) had any interest in the Group's five largest customers and suppliers.

During the year ended December 31, 2021, the Group did not experience any significant disputes with its customers or suppliers.

CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transaction

Collaboration Arrangements under the Strategic Alliance Agreements with Terumo

On November 5, 2012, AngioCare formed a strategic alliance with Terumo and entered into a series of agreements (namely a capital increase and subscription agreement, a joint venture cooperation agreement, a collaboration agreement and a sales agreement, all dated November 5, 2012, together, the "2012 Agreements") with Terumo, which are partially amended by another collaboration agreement dated September 10, 2014 (the "2014 Agreement", together with the 2012 Agreements, the "Terumo Agreements"). Terumo holds 24.31% of AngioCare and is a connected person of the Company.

Pursuant to the terms of the Terumo Agreements, by 2017, Terumo had paid AngioCare a total amount of approximately RMB88.8 million for the development of, and obtaining of regulatory approvals for, the 1st and 2nd generation (including type A and type B) RDN products (collectively, the "Products"), and acquired the exclusive distribution rights for the Products in the global market. The Terumo Agreements shall be effective for 30 years starting from the date when AngioCare obtained the Business License for Enterprises as Legal Persons (企業法人營業執照) from the relevant PRC regulatory authority, i.e., January 8, 2013. Our Group maintained the strategic alliance with Terumo after our Acquisition of AngioCare, and there have been no changes to the Terumo Agreements after our Acquisition of AngioCare.

Report of the Directors

Pursuant to the Terumo Agreements, Terumo (or any third party designated by it) (each a “Terumo Party”) has exclusive rights to distribute the Products in the global market, subject to the following conditions:

- (i) in China, AngioCare has the rights to distribute the Products to third parties if Terumo fails to achieve the sales target, being at least 30,000 units per year for five years after the Products are included in the medical device bidding list issued by the relevant regulatory authorities in China (excluding the sales of the 2nd generation Type B RDN product); and
- (ii) in any region other than China, Terumo should have exclusive distribution rights for the Products unless it (a) waives such rights in writing, (b) fails to assist AngioCare in obtaining the necessary approvals for selling the Products in an overseas market within three months after the directors of AngioCare have decided to enter the market, or (c) fails to enter into any sales agreement for the Products within six months after receiving the relevant approvals;

Cap in relation to the supply of Products by AngioCare to Terumo

With respect to the Products to be distributed in China, the payment to be received from Terumo for the supply of the relevant Products by AngioCare pursuant to the Terumo Agreements will be determined in accordance with the following formula:

Selling price of the Products to Terumo = 30% x Public tender price of the Products in Beijing⁽¹⁾, subject to a 10% adjustment as separately agreed between AngioCare and Terumo on a case-by-case basis, considering a number of factors

Note:

- (1) Such price is determined during public tender processes organized by government agencies or the relevant hospitals in Beijing.

With respect to the Products to be distributed in regions other than China, AngioCare shall sell them to a Terumo Party at a price separately agreed between AngioCare and Terumo.

During the Reporting Period, none of the Products of AngioCare have been commercialized and AngioCare has not sold any Products to Terumo or any third party designated by it. As such, AngioCare has not supplied any Products to Terumo, nor has any sales revenue been received by AngioCare from Terumo with respect to any Products. No transaction under the Terumo Agreements has taken place during the Reporting Period.

Save as disclosed above, during the Reporting Period, there was no connected transaction or other continuing connected transaction of the Group which has to be disclosed in accordance with Chapter 14A of the Listing Rules.

Report of the Directors

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in Note 32 to the financial statements. None of the related party transactions constitute a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the prescribed public float as required under the Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, Supervisors or any of their respective associates were granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiary, or had exercised any such right during the Reporting Period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors, Supervisors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director or supervisor of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

Report of the Directors

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including employees, customers and suppliers and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

For details of relationship with the employees, customers and suppliers, please refer to the subsection headed "Major Customers and Suppliers" and "Remuneration of Directors" in this section, and the section headed "Environmental, Social and Governance Report".

PERMITTED INDEMNITY PROVISIONS

Directors, Supervisors' and senior managements' liability insurance is in place for the directors and supervisor of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the directors during the reporting period.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control.

Risks relating to our financial position and need for additional capital

- We have incurred significant operating losses since our inception, and may continue to incur operating losses for the foreseeable future. You may lose substantially all your investments in us given the high risks involved in the medical device business.
- We had net cash outflows from our operating activities in the past and may need to obtain additional financing to fund our operations. If we are unable to obtain such financing, we may be unable to complete the development and commercialization of our product candidates.
- If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.
- If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.
- Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.
- Share-based payments may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.
- We have historically received government grants for our research and development activities and we may not receive such grants or subsidies in the future.

Report of the Directors

Risks Relating to the Development of Our Product Candidates

- Our future growth depends substantially on the successful development of our product candidates to commercialization.
- Clinical product development involves a lengthy and expensive process with an uncertain outcome.
- 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.
- If we encounter difficulties or delays in enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.
- We may not be able to develop new products that are competitive in the market, or in a timely manner or at all.
- We may not be successful in developing, enhancing or adapting to new technologies and methodologies.
- Our employees, collaborators, service providers, independent contractors, principal investigators, consultants, vendors and CROs may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could result in delay or failure to develop our products.

Risks Relating to the Commercialization of Our Products

- If physicians and hospitals are not receptive to our product candidates, our results of operations may be negatively affected.
- Failure to achieve broad market acceptance could have a material adverse impact on our business and results of operations.
- BRS and RDN are novel therapies with limited long-term safety and efficacy data, and a number of factors may negatively affect the market acceptance of BRS and RDN products.
- We have relatively limited experience in sales and marketing activities, and we may not be able to build, expand or integrate our in-house sales and marketing force successfully.
- Even if we are able to commercialize any product candidates, the pricing of such products may be subject to downward changes which may have a material adverse effect on our business and results of operations.
- Even if we are able to commercialize any product candidates, our sales may be affected by the level of medical insurance reimbursement patients receive for PCI and/or renal denervation procedures using our products.

Report of the Directors

Risks Relating to Extensive Government Regulations

- The regulatory approval processes are lengthy, expensive and inherently unpredictable. If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.
- Undesirable adverse events related to our products and product candidates could subject us to regulatory disciplines and other liabilities.
- We may not be able to comply with ongoing regulatory obligations which may result in withdrawal of approvals for our products.
- Changes in regulatory requirements may adversely affect our business.

Risks Relating to Manufacture and Supply of Our Products

- The manufacture of our products is highly complex and subject to strict quality controls. Our business could suffer if our product candidates are not produced in compliance with all the applicable quality standards.
- We mainly rely on our production facilities in Shanghai for the manufacturing of our product candidates; any disruptions to the operation of our production facilities could materially adversely affect our business, financial condition and results of operations.
- We may be exposed to potential product liability claims, and our insurance coverage may be inadequate to protect us from all the liabilities we may incur.
- If we fail to establish our commercial manufacturing capacity after we launch our future approved product candidates in the market, or if our manufacture capacity fails to meet the market demand, our business prospects could be materially and adversely affected.
- We rely on a limited number of suppliers, and may not be able to secure a stable supply of qualified raw materials at all times or at all.
- An increase in the market price of our raw materials and components may adversely affect our financial position.
- Failure to manage our inventory effectively would materially and adversely affect our financial condition and results of operations.

Report of the Directors

Risks Relating to Our Intellectual Property Rights

- Third parties may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights, and the outcome of such legal proceedings would be uncertain. Such proceedings could be costly and time consuming to defend, and could prevent us from developing or commercializing our product candidates, or delay the development or commercialization process.
- If we are unable to obtain and maintain patent protection for our product candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.
- If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.
- Failure to adequately protect our intellectual property rights may adversely affect our reputation and disrupt our business.
- We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful. Our patent rights relating to our product candidates could be found invalid or unenforceable if being challenged in court or before the CNIPA or courts or related intellectual property agencies in other jurisdictions.
- Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.
- Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.
- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Report of the Directors

Risks relating to our operations:

- Our business, results of operations and financial position has been, and could be further adversely affected by the outbreak of COVID-19.
- Our future success depends on our ability to retain key executives and to attract, hire, retain and motivate other qualified and highly skilled personnel.
- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.
- We may encounter difficulties in managing our growth and expanding our operations successfully.
- We face substantial competition and rapid market changes, and our competitors may discover, develop or commercialize competing products before or more successfully than we do, or respond and adapt to the market changes more quickly and effectively.
- We may be unable to develop and commercialize our product candidates as anticipated if the third parties with which we contract for clinical trials do not perform in an acceptable manner or if these third parties do not successfully carry out their contractual duties or meet expected deadlines.
- We have entered into collaborations, and may establish or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not realize the benefits of such collaborations, alliances or licensing arrangements.
- Acquisitions or strategic partnerships may increase our capital requirements, dilute our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.
- If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operation and reputation could be materially and adversely affected.
- If we fail to successfully integrate the business of AngioCare or any future targets into our operations, our post-acquisition performance and business prospects may be adversely affected.
- If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.

Report of the Directors

- We could be subject to criminal sanctions or civil and administrative penalties if we violate any applicable anti-kickback, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China and other jurisdictions.
- If we or our business partners fail to protect patient data and privacy, our reputation will be damaged and we might be subject to fines or other regulatory punishments.
- If our employees or distributors engage in bribery or corrupt practices or other improper conduct, we may be subject to liability and our reputation and business could be harmed.
- If we or our CROs or SMOs fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.
- Our internal computer systems may fail or suffer security breaches.
- Our and/or others' failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.
- Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.
- We have limited insurance coverage to adequately cover all the risks and hazards associated with our operations.
- Our business significantly depends on our reputation and, once any of our product candidates are commercialized, customer perception of us, and any negative publicity on us or failure to maintain and enhance our recognition and reputation may materially adversely affect our business, financial condition and results of operations.
- Fluctuations in exchange rates of the Renminbi could result in foreign currency exchange losses.
- Risks relating to our failure to complete property leasing registrations for our lease properties

Report of the Directors

Risks relating to doing business in China

- The medical device industry in China is highly regulated and such regulations are subject to changes, which may adversely affect our business.
- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.
- PRC legal system embodies inherent uncertainties that may affect the protection afforded to our business and our Shareholders.
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management based on Hong Kong or other foreign laws.
- Gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.
- Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.
- Governmental control of currency conversion, and restrictions on the remittance of RMB into and out of the PRC, may adversely affect the value of your investment.
- Our operations are subject to and may be affected by changes in PRC tax laws and regulations.
- We may be restricted from transferring our scientific data abroad.
- The political relationships between China and other countries may affect our business operations.
- Any possible conversion of our Unlisted Shares, including Domestic Shares and Unlisted Foreign Shares, into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in Note 14 to the consolidated financial statements.

REMUNERATION OF DIRECTORS AND SUPERVISORS

The emoluments of the Directors, Supervisors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the individual performance and comparable market statistics.

Details of the emoluments of the Directors, Supervisors and five highest paid individuals are set out in notes 9 and 10 to the consolidated financial statements.

None of the Directors or Supervisors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

RETIREMENT BENEFITS PLAN

The employees of the PRC companies are members of the state-managed retirement benefits scheme operated by the PRC government. They are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. Pursuant to the relevant laws and regulations, the Group is not in a position to forfeit contributions to such scheme and thus no contributions has therefore been forfeited.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

Report of the Directors

SUBSEQUENT EVENTS

There were no subsequent events between the end of the Reporting Period and the date of this annual report that would have a material impact on the Group.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 24 to 39 of this annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the Reporting Period, and discussed internal control and financial reporting matters.

AUDITORS

The financial statements have been audited by Ernst & Young who will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM to re-appoint Ernst & Young as the auditor of the Company.

Mr. Philip Li Wang

Chairperson and executive Director

Shanghai, PRC

March 18, 2022

Report of the Supervisors

REPORT OF THE SUPERVISORS FOR 2021

With the joint efforts of all Supervisors of the Company and in accordance with the laws and regulations such as the Company Law, the provisions of the Articles of Association and the Rules of Procedures for Meeting of the Board of Supervisors, the Board of Supervisors, in the spirit of being responsible to all Shareholders, conscientiously performed the duties and powers bestowed upon it by relevant laws and regulations, actively and effectively carried out the work, supervised the compliance of the operation of the Company and the performance of duties by the Directors and senior management of the Company, and safeguarded the legitimate rights and interests of the Company as well as its Shareholders.

The work of the Board of Supervisors in 2021 and the work plan for 2022 are hereby reported as follows:

I. WORK OF THE BOARD OF SUPERVISORS IN 2021

In 2021, the Board of Supervisors convened and held 2 meetings of the Board of Supervisors pursuant to the laws. The notifying, convening and voting procedures for the meetings were in compliance with the requirements of the Company Law and other laws and regulations as well as the Articles of Association and the rules of procedures of the Board of Supervisors. The work of the Board of Supervisors mainly included:

1. attending general meetings to understand the operation of the general meetings;
2. attending the meetings of the Board of Directors of the Company to understand the operation of the Board of Directors;
3. reviewing the financial reports of the Company and the audit reports submitted by auditors of the Company; and
4. supervising the internal control of the Company.

II. OPINIONS ON THE BOARD OF SUPERVISORS DURING THE REPORTING PERIOD

(i) Compliance of the Operation

The members of the Board of Directors and senior management of the Company operated in strict compliance with the relevant provisions of the Company Law and the Articles of Association, diligently and responsibly performed their duties by following a scientific and reasonable decision-making process, and earnestly implemented each resolution of the general meetings, and they were not aware of any illegal act or actions against the interests of the Company.

(ii) Financial Position of the Company

The Board of Supervisors reviewed and agreed with the audited consolidated financial statements of the Group for the year ended December 31, 2021, and believed that the financial statements of the Group have given an objective and true view of the financial position and the operating results of the Group and is free of false representations, misleading statements and material omissions.

Report of the Supervisors

(iii) Internal Control

Based on the relevant regulations of the Company Law and the Articles of Association as well as the actual situation of the Company, the Company established a comprehensive internal management and internal control system, which ensures the normal operation of the Company. The Company has a complete internal control organization and an internal audit department with sufficient staff to ensure full and effective implementation and supervision of the Company.

(iv) Integrity and Self-discipline

The Directors and senior management of the Company strictly regulated themselves to abide by the laws and regulations with honesty and self-discipline, and no illegal acts due to private interests were found.

III. WORK PLAN FOR 2022

The Board of Supervisors will further regulate the work of the Board of Supervisors in accordance with the Company Law, the Articles of Association as well as other applicable laws and regulations, reinforce its supervision duties and safeguard the interests of the Company and its Shareholders by:

- (1) attending general meetings of the Company and pay close attention to the operation of the general meetings as well as the Company's business decisions to ensure normal operation of the Company;
- (2) attending the meetings of Board of Directors of the Company and continue to actively participate in various work meetings organized and convened by the Company to keep abreast of the operation of the Board of Directors and the operation and development of the Company to ensure the standardized operation of the Company;
- (3) further reinforcing the supervision and inspection of the financial position of the Company;
- (4) supervising the compliance and due diligence of the Directors and senior management of the Company;
and
- (5) further strengthening its supervision in internal control to make sure the Company's internal control system plays a critical role in risk prevention and control for its operation and management.

The Board of Supervisors

Shanghai Bio-heart Biological Technology Co., Ltd.

March 18, 2022

Independent Auditor's Report



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To the shareholders of Shanghai Bio-heart Biological Technology Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Bio-heart Biological Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 85 to 149, 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 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 the International Accounting Standards Board ("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 ("HKASs") issued by 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 MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of goodwill and intangible assets not ready for use</i></p> <p>The Group had goodwill and intangible assets not ready for use, arising from acquisition of Shanghai AngioCare Medical Technology Co., Ltd, amounting to RMB144,630,000 and RMB137,200,000, respectively, as at December 31, 2021.</p> <p>The Group is required to perform impairment test of goodwill and intangible assets not ready for use on an annual basis. The impairment tests are based on the recoverable amount of the cash-generating unit ("CGU") to which the goodwill is allocated, and the recoverable amount of intangible assets not ready for use. The recoverable amounts are based on the value in use or fair value less cost to sell using cash flow projections based on a financial budget.</p> <p>Management established the impairment assessment model with the involvement of an external independent valuer and prepared a recoverable amount calculation to estimate the future cash flows taking into account key assumptions, including estimated revenue growth rate, gross margin, terminal growth rate and discount rate, and management considered no impairment loss was necessary as at December 31, 2021 based on the impairment assessment performed.</p> <p>We considered this a key audit matter given the significant management judgements and assumptions involved in the impairment assessment and because the estimation of the recoverable amounts is subject to a high degree of estimation uncertainty.</p> <p>The Group's disclosures about the impairment tests of goodwill and intangible assets are included in note 2.4 Summary of significant accounting policies, note 3 Significant accounting judgements and estimates, note 16 Goodwill and note 18 Other intangible assets.</p>	<p>Our procedures included, among others:</p> <ol style="list-style-type: none">1> Obtaining an understanding of key internal controls related to impairment assessment of goodwill and intangible assets not ready for use;2> Evaluating the competence and objectivity of the independent valuer engaged by management;3> Evaluating the management's identification of the CGU to which the goodwill is allocated;4> Assessing whether management's impairment assessment model is appropriate with the involvement of our valuation specialists by reference to industry practices and valuation techniques;5> Assessing the reasonableness of the key assumptions used in the future cash flow forecast, including the estimated revenue growth rate and gross margin, by comparing them with the historical financial performance and future forecast of the CGU; and6> Evaluating the appropriateness of the pre-tax discount rate and terminal growth rate adopted with the involvement of our valuation specialists by benchmarking market data and comparable companies. <p>We also focused on the adequacy of the disclosures in the consolidated financial statements.</p>

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 THE DIRECTORS 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, 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 HKSAAs 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.

Independent Auditor's Report

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

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism 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.
- 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 communicate with the Audit Committee 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 the Audit Committee 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.

Independent Auditor's Report

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. 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 this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young

Certified Public Accountants

Hong Kong

March 18, 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Other income	5	7,159	3,424
Research and development expenses		(214,228)	(245,743)
Administrative expenses		(195,424)	(81,556)
Other expenses	7	(6,647)	(16,363)
Finance costs	8	(685)	(56)
LOSS BEFORE TAX	6	(409,825)	(340,294)
Income tax expense	11	–	–
LOSS FOR THE YEAR		(409,825)	(340,294)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(409,825)	(340,294)
Attributable to:			
Owners of the parent		(361,449)	(325,523)
Non-controlling interests		(48,376)	(14,771)
		(409,825)	(340,294)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	13	(1.64)	(2.38)

Consolidated Statement of Financial Position

December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	50,409	18,696
Other intangible assets	18	137,200	137,200
Prepayments, other receivables and other assets	17	4,301	12,173
Right-of-use assets	15	21,851	1,578
Goodwill	16/29	144,630	144,630
Total non-current assets		358,391	314,277
CURRENT ASSETS			
Prepayments, other receivables and other assets	17	47,997	17,098
Cash and cash equivalents	20	708,531	453,667
Total current assets		756,528	470,765
CURRENT LIABILITIES			
Trade payables	21	10	10
Lease liabilities	15	7,311	1,236
Other payables and accruals	22	28,510	12,098
Deferred income	23	981	523
Total current liabilities		36,812	13,867
NET CURRENT ASSETS		719,716	456,898
TOTAL ASSETS LESS CURRENT LIABILITIES		1,078,107	771,175

Consolidated Statement of Financial Position

December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	15	15,135	80
Deferred income	23	7,517	6,602
Deferred tax liabilities	24/29	20,580	20,580
Total non-current liabilities		43,232	27,262
Net assets		1,034,875	743,913
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	243,937	220,000
Reserves	26	751,750	480,090
Non-controlling interests		995,687	700,090
	27	39,188	43,823
Total equity		1,034,875	743,913

Philip Li Wang
Director

Yunqing Wang
Director

Consolidated Statement of Changes in Equity

Year ended December 31, 2021

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Paid-in capital	Share premium*	Share-based payment reserve*	Accumulated losses*	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 25)	(note 25)	(note 26)	(note 28)				
At January 1, 2020	-	28,638	80,528	29,470	(100,497)	38,139	-	38,139
Loss for the year	-	-	-	-	(325,523)	(325,523)	(14,771)	(340,294)
Total comprehensive loss for the year	-	-	-	-	(325,523)	(325,523)	(14,771)	(340,294)
Capital contribution by shareholders	-	16,669	702,212	-	-	718,881	-	718,881
Shares issued to the restricted shares platform	-	14,509	-	-	-	14,509	-	14,509
Equity-settled share award (note 28)	-	-	-	254,084	-	254,084	14,031	268,115
Acquisition of a subsidiary (note 29)	-	-	-	-	-	-	44,563	44,563
Conversion into a joint stock company	220,000	(59,816)	(478,446)	-	318,262	-	-	-
At December 31, 2020	220,000	-	304,294	283,554	(107,758)	700,090	43,823	743,913

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium*	Share-based payment reserve*	Accumulated losses*	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(note 25)	(note 26)	(note 28)					
At January 1, 2021	220,000	304,294	283,554	(107,758)	700,090	43,823	743,913	
Loss for the year	-	-	-	(361,449)	(361,449)	(48,376)	(409,825)	
Total comprehensive loss for the year	-	-	-	(361,449)	(361,449)	(48,376)	(409,825)	
Equity-settled share award (note 28)	-	-	274,983	-	274,983	43,741	318,724	
Issue of H shares from initial public offering ("IPO") (note 25)	23,937	371,309	-	-	395,246	-	395,246	
Listing expenses attributed to issue of new shares	-	(13,183)	-	-	(13,183)	-	(13,183)	
At December 31, 2021	243,937	662,420	558,537	(469,207)	995,687	39,188	1,034,875	

* These reserve accounts comprise the consolidated reserves of RMB751,750,000 (2020: RMB480,090,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(409,825)	(340,294)
Adjustments for:			
Finance costs	8	685	56
Covid-19-related rent concessions	15	–	(236)
Bank interest income	5	(972)	(190)
Depreciation of property, plant and equipment	14	8,770	7,537
Depreciation of right-of-use assets	15	4,464	1,106
Equity-settled share award expense	28	318,724	268,115
Foreign exchange differences	6	6,613	16,353
Operating cash flows before movements in working capital		(71,541)	(47,553)
Increase in prepayments, other receivables and other assets		(27,426)	(3,145)
Increase in amounts due to related parties		–	392
Increase in other payables and accruals		9,123	3,561
Increase/(decrease) in deferred income		1,373	(1,749)
Cash used in operations		(88,471)	(48,494)
Interest paid		–	–
Income tax paid		–	–
Net cash flows used in operating activities		(88,471)	(48,494)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(34,274)	(5,747)
Payments for intangible assets		(430)	–
Bank interest income	5	972	190
Advances of loans to related parties	32(b)	–	(528)
Repayments of loans to related parties	32(b)	–	1,351
Acquisition of a subsidiary	29	–	(220,417)
Net cash flows used in investing activities		(33,732)	(225,151)

Consolidated Statement of Cash Flows

Year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from shareholders	25	–	718,881
Net proceeds from IPO in Hong Kong	25	395,246	–
Shares issued to the restricted shares platform		–	14,509
Repayments of borrowings from related parties	32(b)	–	(5,347)
Lease payments	15	(4,292)	(1,167)
Payment of listing expenses		(7,274)	(3,883)
Net cash flows from financing activities		383,680	722,993
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		453,667	20,672
Effect of foreign exchange rate changes		(6,613)	(16,353)
CASH AND CASH EQUIVALENTS AT END OF YEAR		708,531	453,667

Notes to the Financial Statements

December 31, 2021

1. CORPORATE AND GROUP INFORMATION

Shanghai Bio-heart Biological Technology Co., Ltd. is a joint stock company with limited liability incorporated in the People's Republic of China ("PRC"). The registered office of the Company is located at Room 302, 3/F, Building 4, No. 590 Ruiqing Road, East Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC.

During the year, the Company and its subsidiaries (together, the "Group") are principally engaged in the research and development of bioresorbable scaffold ("BRS") products and the second-generation renal denervation ("RDN") system.

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on December 23, 2021.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Shanghai AngioCare Medical Technology Co., Ltd. * ("AngioCare") 上海安通醫療科技有限公司	PRC/Mainland China September 28, 2011	RMB6,088,900	65.69% (direct)	Research and development
Hong Kong Bio-heart Biological Technology Co., Limited 香港百心安生物技術有限公司	Hong Kong April 7, 2021	RMB10,000,000	100.00% (direct)	Local administration

* The English name of the entity registered in Mainland China represents the best efforts made by the management of the Company to directly translate its Chinese name as the entity did not register any official English name.

* The Company's subsidiary registered in the PRC is a limited liability company under PRC law.

Notes to the Financial Statements

December 31, 2021

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which include all standards and interpretations approved by the International Accounting Standards Board (“IASB”). They have been prepared under the historical cost convention. These financial statements are presented in RMB and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

Basis of consolidation

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

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

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

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

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

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

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

Notes to the Financial Statements

December 31, 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Pursuant to the Accountants' Report of the Group in connection with the listing of the shares of the Company on the Stock Exchange, all IFRSs in issue as at June 30, 2021 and effective for annual periods beginning January 1, 2021, together with the relevant transitional provisions, had been early adopted by the Group in the preparation of the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2019 and 2020 and the six months ended June 30, 2021, and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2019 and 2020 and June 30, 2021. Thus, the adoption of the below amendments had no impact on the Group's financial statements for the year ended December 31, 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, *Interest Rate Benchmark Reform – Phase 2*
IFRS 4 and IFRS 16

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the financial statements.

Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021¹</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IFRS 17	<i>Insurance Contracts^{3,5}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current³</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies³</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates³</i>
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information³</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction³</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 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 No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to IFRS 17 issued in June, 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

Notes to the Financial Statements

December 31, 2021

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value either recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery	18%
Leasehold improvements	Over the shorter of the lease terms and 20%
Office equipment	30%
Motor vehicles	23%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The depreciation expense incurred related to the right-of-use asset for the building lease during the construction period is expensed when incurred.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intellectual property

Intellectual property with finite useful life is amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Research and development costs

All research costs are charged to the consolidated statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is 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, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1.2-5 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of motor vehicles that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include deposits and other receivables included in prepayments, other receivables and other assets.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- | | | |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals and lease liabilities.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, trade payables, other payables and accruals and lease liabilities are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in a subsidiary when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in a subsidiary, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Government grants that are receivable as compensation for expenses or losses already incurred or 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.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments and released to profit or loss by way of a reduced depreciation charge.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) and non-employees of the Group receive remuneration and rewards in the form of share-based payments, whereby employees and non-employees render services as consideration for equity instruments ("equity-settled transactions").

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions with non-employees is measured by reference to the fair value of the services they provided unless the fair value of the equity instruments granted is more reliably determinable. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

For awards that do not ultimately vest because service conditions have not been met, no expense is recognised.

Other employee benefits

Pension scheme

The employees of the Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

The financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Notes to the Financial Statements

December 31, 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Research and development expenses

Research and development expenses incurred on the Group's medical device product pipelines are capitalized 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. Research and development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. All expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

Notes to the Financial Statements

December 31, 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Intangible assets not ready for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2020 and 2021 were RMB144,630,000 and RMB144,630,000, respectively. Further details are given in note 16.

Notes to the Financial Statements

December 31, 2021

4. OPERATING SEGMENT INFORMATION

For the purpose of resource allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

The Group did not record any revenue during the reporting periods and the Group's non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

5. OTHER INCOME

An analysis of other income is as follows:

	2021 RMB'000	2020 RMB'000
Government grants*	5,875	3,031
Bank interest income	972	190
Consulting income	–	181
Others	312	22
	7,159	3,424

* The Group has received certain government grants related to assets. The grants related to assets were recorded in deferred income and recognized in profit or loss over the useful lives of the relevant assets after the relevant conditions are met. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period upon actual receipt.

Notes to the Financial Statements

December 31, 2021

6. LOSS BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Depreciation of property, plant and equipment*	14	8,770	7,537
Depreciation of right-of-use assets*	15	4,464	1,106
Government grants	5	(5,875)	(3,031)
Bank interest income	5	(972)	(190)
Foreign exchange losses	7	6,613	16,353
Auditor's remuneration		1,837	602
Expense relating to leases of low-value assets	15(c)	17	8
Listing expense		19,400	5,461
		34,254	27,846
Staff cost (excluding directors', supervisors' and chief executive's remuneration):			
– Wages and salaries		8,859	3,902
– Pension scheme contributions		618	19
– Equity-settled share award expense		49,169	56,987

* The depreciation of property, plant and equipment, depreciation of right-of-use assets and employee benefit expenses for the year are set out in "Administrative expenses" and "Research and development expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. OTHER EXPENSES

An analysis of other expenses is as follows:

	2021 RMB'000	2020 RMB'000
Foreign exchange losses	6,613	16,353
Others	34	10
	6,647	16,363

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8. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities (note 15)	685	56

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	1,200	99
Other emoluments:		
Salaries, allowances and benefits in kind	4,177	1,396
Performance related bonuses	784	342
Equity-settled share award expense	269,556	86,149
Pension scheme contributions	232	4
	275,949	87,990

In 2020, shares were granted to Mr. Philip Li Wang, Mr. Yunqing Wang, Mr. Tao Cai and Ms. Peili Wang in respect of their services to the Group, further details of which are set out in note 28 to the financial statements. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is set out in the above directors' and supervisors' remuneration disclosures.

Directors

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Mr. Charles Sheung Wai Chan (a)	400	33
Mr. George Chien Cheng Lin (a)	400	33
Mr. Xubo Lv (a)	400	33
	1,200	99

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

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9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

Directors (continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share award expense RMB'000	Total remuneration RMB'000
2021						
Executive directors:						
Mr. Philip Li Wang (b)	-	709	38	-	191,333	192,080
Mr. Yungqing Wang (f)	-	1,037	245	59	26,069	27,410
Non-executive directors:						
Mr. Jie Yin (e)	-	-	-	-	-	-
Mr. Quan Zhou (f)	-	-	-	-	-	-
Ms. Li Cai (g)	-	-	-	-	-	-
Mr. Ji Chen (i)	-	-	-	-	-	-
	-	1,746	283	59	217,402	219,490
2020						
Executive directors:						
Mr. Philip Li Wang (b)	-	491	-	-	60,906	61,397
Mr. Yungqing Wang (f)	-	339	80	-	8,439	8,858
Mr. Tao Cai (h)	-	132	30	-	4,571	4,733
Non-executive directors:						
Mr. Kun Yang (c)	-	-	-	-	-	-
Mr. Changning Hao (d)	-	-	-	-	-	-
Mr. Jie Yin (e)	-	-	-	-	-	-
Mr. Jing Bao (e)	-	-	-	-	-	-
Mr. Quan Zhou (f)	-	-	-	-	-	-
Ms. Li Cai (g)	-	-	-	-	-	-
Mr. Ji Chen (i)	-	-	-	-	-	-
	-	962	110	-	73,916	74,988

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9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

Supervisors

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Equity-settled share award expense RMB'000	Total remuneration RMB'000
2021					
Ms. Peili Wang	824	158	57	10,453	11,492
Mr. Tao Cai (h)	796	187	58	20,863	21,904
Mr. Chen Zhao Zhang (j)	811	156	58	20,838	21,863
	2,431	501	173	52,154	55,259
2020					
Ms. Peili Wang	302	202	4	3,455	3,963
Mr. Tao Cai (h)	66	15	–	2,080	2,161
Mr. Chen Zhao Zhang (j)	66	15	–	6,698	6,779
	434	232	4	12,233	12,903

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Notes:

- (a) Mr. Charles Sheung Wai Chan, Mr. George Chien Cheng Lin and Mr. Xubo Lv were appointed as independent non-executive directors on November 24, 2020.
- (b) Mr. Philip Li Wang was also the chief executive of the Company during the reporting periods.
- (c) Mr. Kun Yang resigned as a director of the Company with effect from November 24, 2020.
- (d) Mr. Changning Hao was appointed as a director of the Company on September 6, 2019, and resigned with effect from November 10, 2020.
- (e) Mr. Jie Yin and Mr. Jing Bao were appointed as directors of the Company on November 1, 2019. Mr. Jing Bao resigned as a director of the Company with effect from November 24, 2020.
- (f) Mr. Yunqing Wang and Mr. Quan Zhou were appointed as directors of the Company on September 4, 2020. Mr. Yunqing Wang was also appointed as the Chief Finance Officer of the Company on September 22, 2020.
- (g) Ms. Li Cai was appointed as a director of the Company on September 23, 2020.
- (h) Mr. Tao Cai was appointed as a director of the Company on September 23, 2020 and resigned with effect from November 24, 2020. Mr. Tao Cai was appointed as a supervisor of the Company on November 24, 2020. Mr. Tao Cai's remuneration was RMB338,000 before he was appointed as a director of the Company in September, 2020.
- (i) Mr. Ji Chen was appointed as a director of the Company on November 10, 2020.
- (j) Mr. Chen Zhao Zhang was appointed as a supervisor of the Company on November 24, 2020. Mr. Chen Zhao Zhang's remuneration was RMB626,000 before he was appointed as a supervisor of the Company in 2020.

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: four directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2020: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, bonuses, allowances and benefits in kind	2,431	152
Performance related bonuses	501	38
Equity-settled share award expense	52,154	7,575
Pension scheme contributions	173	–
	55,259	7,765

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
Nil to HKD1,000,000	–	–
HKD9,000,001 to HKD9,500,000	–	1
HKD14,000,001 to HKD14,500,000	1	–
HKD26,500,001 to HKD27,000,000	2	–

During the year and in 2020, shares were granted to certain highest paid employees in respect of their further services to the Group, further details of which are set out in note 28 to the financial statements. The fair value of such awarded shares, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above highest paid employees' remuneration disclosures.

Notes to the Financial Statements

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11. INCOME TAX

The Group's principal applicable taxes and tax rates are as follows:

- (a) No provision for Mainland China income tax has been provided for at a rate of 25% pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), as the Group's PRC entities have no estimated assessable profits during the year.
- (b) No provision for Hong Kong income tax has been provided for at a rate of 16.5% as the Group's Hong Kong entity has no estimated assessable profits during the year.
- (c) A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2021 RMB'000	2020 RMB'000
Loss before tax	(409,825)	(340,294)
Tax at the statutory tax rate of 25%	(102,456)	(85,074)
Effect of different tax rate of a subsidiary operating in other jurisdictions and tax concession	14,129	3,997
Tax effect of income that is exempt from taxation	(1,119)	(351)
Expenses not deductible for tax	67,542	63,567
Additional deductible allowance for research and development costs	(7,831)	(3,711)
Tax effect of deductible temporary differences not recognised	3,921	2,037
Utilisation of deductible temporary differences previously not recognised	(118)	–
Tax losses not recognised	25,932	19,535
Tax charge at the Group's effective tax rate for the year	–	–

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11. INCOME TAX (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items:

	2021 RMB'000	2020 RMB'000
Tax losses	356,393	244,103
Deductible temporary differences	26,847	11,947
	383,240	256,050

The Group has tax losses arising of RMB356,393,000 and RMB244,103,000, as at December 31, 2021 and 2020. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

12. DIVIDEND

No dividends have been paid or declared by the Company during the year (2020: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

On November 24, 2020, the Company was converted to a joint stock limited liability company. A total of 220,000,000 shares of par value of RMB1.00 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. The conversion of paid-in capital to share capital with par value of RMB1.00 each is applied retrospectively for the year ended December 31, 2020 for the purpose of computation of basic earnings per share.

The Company had no potentially dilutive ordinary shares in issue during the each of the years presented.

The calculation of basic loss per share is based on:

	2021	2020
Loss		
Loss attributable to ordinary equity holders of the Company (RMB'000)	(361,449)	(325,523)
Ordinary shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (thousand)	220,590	136,555
Loss per share (RMB per share)	(1.64)	(2.38)

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14. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
December 31, 2021						
At January 1, 2021:						
Cost	28,455	60	1,103	14,610	–	44,228
Accumulated depreciation	(12,512)	(19)	(994)	(12,007)	–	(25,532)
Net carrying amount	15,943	41	109	2,603	–	18,696
At January 1, 2021, net of accumulated depreciation	15,943	41	109	2,603	–	18,696
Additions	3,605	344	–	2,100	34,434	40,483
Transfers	–	–	–	14,806	(14,806)	–
Depreciation provided during the year	(4,570)	(26)	–	(4,174)	–	(8,770)
At December 31, 2021, net of accumulated depreciation	14,978	359	109	15,335	19,628	50,409
At December 31, 2021:						
Cost	32,060	404	1,103	31,516	19,628	84,711
Accumulated depreciation	(17,082)	(45)	(994)	(16,181)	–	(34,302)
Net carrying amount	14,978	359	109	15,335	19,628	50,409

Notes to the Financial Statements

December 31, 2021

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
December 31, 2020					
At January 1, 2020:					
Cost	18,919	20	583	13,462	32,984
Accumulated depreciation	(4,948)	(20)	(470)	(7,798)	(13,236)
Net carrying amount	13,971	–	113	5,664	19,748
At January 1, 2020, net of accumulated depreciation					
Additions	2,417	–	–	834	3,251
Acquisition of a subsidiary (note 29)	3,138	45	51	–	3,234
Depreciation provided during the year	(3,583)	(4)	(55)	(3,895)	(7,537)
At December 31, 2020, net of accumulated depreciation	15,943	41	109	2,603	18,696
At December 31, 2020:					
Cost	28,455	60	1,103	14,610	44,228
Accumulated depreciation	(12,512)	(19)	(994)	(12,007)	(25,532)
Net carrying amount	15,943	41	109	2,603	18,696

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15. LEASES

The Group as a lessee

During the reporting periods, the Group entered into certain long-term lease contracts for buildings which generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There is no lease contract that includes extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings RMB'000
As at January 1, 2021	1,578
Additions	24,737
Depreciation charge	(4,464)
As at December 31, 2021	21,851

	Buildings RMB'000
As at January 1, 2020	1,290
Additions	–
Additions as a result of acquisition of a subsidiary (note 29)	1,394
Depreciation charge	(1,106)
As at December 31, 2020	1,578

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15. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the reporting periods are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at January 1	1,316	1,323
Additions due to new lease	24,737	–
Additions as a result of acquisition of a subsidiary (note 29)	–	1,340
Accretion of interest recognised during the year	685	56
Covid-19-related rent concessions	–	(236)
Payments	(4,292)	(1,167)
Carrying amount at the end of the year	22,446	1,316
Analysed into:		
Current portion	7,311	1,236
Non-current portion	15,135	80

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

The Group applied the practical expedient to account for a forgiveness or waiver of lease payments as a variable lease payment to make a corresponding adjustment to the lease liabilities, in effect derecognising the part of the lease liabilities that has been forgiven or waived.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	685	56
Depreciation charge of right-of-use assets	4,464	1,106
Expense relating to leases of low-value assets*	17	8
Total amount recognised in profit or loss	5,166	1,170

* Included in "Administrative expenses" and "Research and development expenses" in the consolidated statement of profit or loss and other comprehensive income.

(d) The total cash outflow for leases is set out in note 30 to the financial statements.

Notes to the Financial Statements

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16. GOODWILL

	Goodwill RMB'000
Cost at December 31, 2019 and January 1, 2020, net of accumulated impairment	–
Acquisition of a subsidiary (note 29)	144,630
Cost and net carrying amount at December 31, 2020	144,630
As at December 31, 2020:	
Cost	144,630
Accumulated impairment	–
Net carrying amount	144,630
Cost at December 31, 2020 and January 1, 2021, net of accumulated impairment	144,630
Cost and net carrying amount at December 31, 2021	144,630
As at December 31, 2021:	
Cost	144,630
Accumulated impairment	–
Net carrying amount	144,630

Impairment testing of goodwill

The Group's goodwill acquired through business combination is related to the acquisition of AngioCare in September, 2021 and the goodwill has been allocated to the AngioCare cash-generating unit for impairment testing. Management considers that using a 10-year forecast period for financial budget in the goodwill impairment test is appropriate because the useful lives of AngioCare's relevant intellectual property are longer than ten years, and it generally takes longer for a medical device company to reach perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, financial budgets covering a 10-year period were used as management believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.

Notes to the Financial Statements

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16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Key assumptions used in the calculation are as follows:

	As at December 31, 2021	As at December 31, 2020
Revenue (% compound growth rate)	66.00%	65.30%
Gross margin (% of revenue)	60.00%	60.00%
Terminal growth rate	2.30%	3.00%
Pre-tax discount rate	19.50%	19.56%

As at December 31, 2021 and December 31, 2020, the recoverable amounts of the cash-generating unit exceed its carrying amounts by RMB85,474,000 and RMB53,422,000, respectively.

Assumptions were used in the value in use calculation of the cash-generating unit as at December 31, 2021 and December 31, 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue – The basis used to determine the budgeted revenue is based on management’s expectation of when to launch AngioCare’s product and also expectation of the future market. AngioCare’s product candidate, renal denervation (“AngioCare Product”), is at clinical trial stage, and management expects to file NMPA in China for AngioCare Product in around 2023. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding the information that has become available after the assessment. Such information includes current industry overview and estimated market development of related products.

Gross margin – The gross margin is based on the average gross margin expected to achieve in the years when to launch the product.

Terminal growth rate – The forecasted terminal growth rate is based on management’s expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

Notes to the Financial Statements

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16. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Pre-tax discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

If the pre-tax discount rate rose to 21.49%, the gross margin decreased to 56.48%, or the compound growth rate of revenue decreased to 60.31% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of goodwill. Except for these, any reasonable possible changes in other key assumptions used in the fair value assessment model would not affect management's view on impairment at December 31, 2021.

If the pre-tax discount rate rose to 20.79%, the gross margin decreased to 57.17%, or the compound growth rate of revenue decreased to 61.93% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of the cash-generating unit. Except for these, any reasonable possible changes in other key assumptions used in the fair value assessment model would not affect management's view on impairment at December 31, 2020.

Based on the impairment assessment conducted by the Group utilising the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary.

The values assigned to the key assumptions on market development of related products and the pre-tax discount rate are consistent with external information sources.

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17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Non-current:		
Prepayments for purchase of items of property, plant and equipment	1,080	2,496
Prepayments for purchase of intangible assets	430	–
Deferred listing expenses	–	8,273
Rental deposits	1,871	1,142
Value-added tax recoverable – non-current	607	–
Other deposits	313	262
	4,301	12,173
Current:		
Prepayments	39,084	14,784
Value-added tax recoverable – current	8,913	2,314
	47,997	17,098

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the reporting periods, the loss allowance was assessed to be minimal.

Value-added tax recoverable represents input VAT related to property, plant and equipment acquired and research and development expenses incurred which are expected to be recovered either through refund from tax bureaus or to be utilized in the future to offset the output VAT. The amounts that are expected to be recovered within one year are recorded as current assets, while those that are expected to be recovered after one year are recorded as non-current assets.

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18. OTHER INTANGIBLE ASSETS

	Intellectual property RMB'000
Cost at December 31, 2019 and January 1, 2020, net of accumulated amortization	–
Additions as a result of acquisition of a subsidiary (note 29)	137,200
At December 31, 2020	137,200
At December 31, 2020	
Cost	137,200
Accumulated amortization	–
Net carrying amount	137,200
Cost at December 31, 2020 and January 1, 2021, net of accumulated amortization	137,200
At December 31, 2021	137,200
At December 31, 2021	
Cost	137,200
Accumulated amortization	–
Net carrying amount	137,200

Impairment testing of intangible assets

The management of the Group performed impairment testing annually for intellectual property not ready for use. The intangible asset is allocated to the cash-generating unit to which the intellectual property belongs. The recoverable amount of the cash-generating unit is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by management of the Group covering a 10-year period. Management considers that using a 10-year forecast period for financial budget in the intellectual property impairment test is appropriate because the useful lives of AngioCare's relevant intellectual property are longer than ten years, and it generally takes longer for a medical device company to reach a perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, financial budgets covering a 10-year period were used as management believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.

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18. OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment testing of intangible assets (continued)

As at December 31, 2021 and December 31, 2020, the recoverable amounts of the cash-generating unit to which the intellectual property belongs exceeds its carrying amounts by RMB99,500,000 and RMB33,400,000, respectively.

Key assumptions used in the calculation are as follows:

	2021	2020
Revenue (% compound growth rate)	62.54%	61.74%
Gross margin (% of revenue)	60.00%	60.00%
Terminal growth rate	N/A	N/A
Pre-tax discount rate	20.73%	20.87%

Assumptions were used in the value in use calculation of the cash-generating unit as at December 31, 2021 and December 31, 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of intangible assets:

Revenue – The basis used to determine the budgeted revenue is based on management’s expectation of when to launch AngioCare’s product and also expectation of the future market.

Gross margin – The gross margin is based on the average gross margin expected to achieve in the years when to launch the product.

Terminal growth rate – The forecasted terminal growth rate is based on management’s expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

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18. OTHER INTANGIBLE ASSETS (CONTINUED)

Impairment testing of intangible assets (continued)

Pre-tax discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

If the pre-tax discount rate rose to 28.67%, the gross margin decreased to 51.23%, or the compound growth rate of revenue decreased to 55.98% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of the intellectual property. Except for these, any reasonable possible changes in other key assumptions used in the fair value assessment model would not affect management's view on impairment at December 31, 2021.

If the pre-tax discount rate rose to 23.28%, the gross margin decreased to 55.97%, or the compound growth rate of revenue decreased to 58.67% (with other assumptions remaining unchanged), the recoverable amount of the cash-generating unit would be decreased to the carrying amount of the intellectual property. Except for these, any reasonable possible changes in other key assumptions used in the fair value assessment model would not affect management's view on impairment at December 31, 2020.

Based on the impairment assessment conducted by the Group utilising the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of the intellectual property and no impairment was considered necessary.

The values assigned to the key assumptions on market development of related products and pre-tax discount rate are consistent with external information sources.

19. LOANS TO DIRECTORS

Loans to Directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	At January 1, 2020 RMB'000	Maximum amount outstanding during the year RMB'000	At December 31, 2020 and January 1, 2021 RMB'000	Maximum amount outstanding during the year RMB'000	At December 31, 2021 RMB'000
Mr. Philip Li Wang (a)	81	5,658	–	–	–

Note:

- (a) The loans granted to Mr. Philip Li Wang are non-trade in nature, unsecured, non-interest-bearing and repayable on demand. These loans had been fully repaid as at December 31, 2020.

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20. CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash on hand	62	78
Cash at banks	708,469	453,589
Cash and cash equivalents	708,531	453,667
Denominated in:		
RMB	28,968	122,660
US\$	283,574	331,004
SGD	1	2
HKD	395,987	–
JPY	1	1
Total cash and cash equivalents	708,531	453,667

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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21. TRADE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	10	10

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

	2021 RMB'000	2020 RMB'000
Over 12 months	10	10

Trade payables are non-interest-bearing and are normally settled within one month.

22. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Accruals for research and development	3,324	3,335
Payroll payable	2,228	1,360
Accrued listing expenses	11,775	7,146
Accrued other expenses	3,591	–
Payables for purchase of property, plant and equipment	7,289	–
Other payables	303	257
	28,510	12,098

Other payables are non-interest-bearing and repayable on demand.

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December 31, 2021

23. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Government grants		
Current	981	523
Non-current	7,517	6,602
	8,498	7,125

The movements in government grants of the Group during the reporting periods are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of the year	7,125	7,200
Grants received during the year	7,237	240
Recognised as income during the year	(5,864)	(1,989)
Acquisition of a subsidiary (note 29)	-	1,674
At end of the year	8,498	7,125

Some grants are for capital expenditure incurred for the acquisition of plant and machines. The amounts are deferred and amortized over the estimated useful lives of the respective assets. Other subsidies are generally provided in relation to the research and development activities of the Group. The grants were recognised in profit or loss as other income upon the Group complied with the conditions attached to the grants.

24. DEFERRED TAX LIABILITIES

	Fair value adjustments arising from acquisition of a subsidiary RMB'000
As at December 31, 2020 and December 31, 2021	20,580

Notes to the Financial Statements

December 31, 2021

25. SHARE CAPITAL/PAID-IN CAPITAL

Paid-in capital

	Total RMB'000
As at December 31, 2019 and January 1, 2020	28,638
Capital contribution by shareholders (a)	16,669
Shares issued to the employee incentive platform (b)	14,509
Conversion into a joint stock company (c)	(59,816)
As at December 31, 2020 and December 31, 2021	—

Share capital

Shares

	2021 RMB'000	2020 RMB'000
Issued and fully paid: 243,937,000 (2020: 220,000,000) ordinary shares	243,937	220,000

A summary of movements in the Company's share capital is as follows:

	Share capital RMB'000
At January 1, 2020	—
Issue of ordinary shares upon conversion into a joint stock company (c)	220,000
At December 31, 2020 and January 1, 2021	220,000
Issue of ordinary shares on Hong Kong Stock Exchange (d)	23,937
At December 31, 2021	243,937

Notes to the Financial Statements

December 31, 2021

25. SHARE CAPITAL/PAID-IN CAPITAL (CONTINUED)

Notes:

- (a) i. On September 4, 2020, the Company entered into a share subscription agreement with Mr. Philip Li Wang, Qianhai Investment, Xinjianyuan Phase III, YuanBio Venture, Suzhou Chenzhide, Magic Grace Limited ("Magic Grace"), CMV HK Limited ("CMV"), Beijing Cuiweikechuang Equity Investment Fund Center (Limited Partnership) (北京翠微科創股權投資基金中心(有限合夥)) ("Cuiweikechuang"), Zhongyuan Qianhai Equity Investment L.P. (Limited Partnership) (中原前海股權投資基金(有限合夥)) ("Zhongyuan Qianhai"), and Loyal Valley Innovation Capital (HK) Limited ("Loyal Valley") (Series C Round Financing), pursuant to which total capital of RMB291,016,000 had been injected into the Company with RMB7,629,000 and RMB283,387,000 credited to the Company's paid-in capital and share premium, respectively.
- ii. On September 23, 2020, the Company entered into a share subscription agreement with Winning Powerful, TPG Asia VII SF Pte. Ltd. ("TPG"), Tibet Zhenshan, Magic Grace, Worldwide Healthcare Trust Plc ("WWH"), Loyal Valley, Suzhou Chenzhide, Mr. Philip Li Wang and other shareholders (Series D Round Financing), pursuant to which total capital of RMB394,720,000 was to be injected into the Company with approximately RMB7,267,000 and RMB387,453,000 credited to the Company's paid-in capital and share premium, respectively.
- (b) i. On September 4, 2020, the Company issued new shares to the restricted shares platform BAIXIN ANTONG Investment Management Centre (Limited Partnership) (上海百心安通企業管理諮詢合夥企業(有限合夥)) ("BAIXIN ANTONG"), total capital of RMB7,602,000 has been injected and credited to the Company's paid-in capital.
- ii. On September 23, 2020, the Company issued new shares to the restricted shares platform BAIHATE Investment Management Centre (Limited Partnership) (上海百哈特企業管理諮詢合夥企業(有限合夥)) ("BAIHATE"), total capital of RMB6,907,000 has been injected and credited to the Company's paid-in capital.
- (c) On November 24, 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including paid-in capital, share premium and accumulated losses, amounting to RMB727,354,000 were converted into 220,000,000 shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the share capital was credited to the Company's share premium.
- (d) On December 23, 2021, the Company successfully completed the IPO on Hong Kong Stock Exchange and issued 23,937,000 ordinary shares at the offering price of HKD 21.25 per share. Excluding commission fees and trading fees, the net proceeds paid to the Company on listing date amounted to HKD 484,328,000, equivalent to RMB395,246,000. The nominal value of the share capital, RMB1.00 each, amounting to RMB23,937,000, was credited to the Company's share capital. The excess of the net proceeds converted over the nominal value of the share capital was credited to the Company's share premium.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 88 of the financial statements.

Notes to the Financial Statements

December 31, 2021

27. PARTIALLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests is set out below:

	2021	2020
Percentage of equity interest held by non-controlling interests: AngioCare	34.31%	34.31%
	RMB'000	RMB'000
Loss for the year allocated to non-controlling interests: AngioCare	48,376	14,771
Accumulated balances of non-controlling interests at the year end: AngioCare	39,188	43,823

The following tables illustrate the summarised financial information (including other intangible assets and deferred tax liabilities newly recognized through business combination) of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	AngioCare RMB'000
Year ended December 31, 2021	
Total expenses	(141,379)
Loss for the year	(141,291)
Total comprehensive loss for the year	(141,291)
As at December 31, 2021	
Current assets	14,441
Non-current assets	142,203
Current liabilities	3,050
Non-current liabilities	39,668
Year ended December 31, 2021	
Net cash flows used in operating activities	(14,201)
Net cash flows used in investing activities	(3,254)
Net cash flows from financing activities	17,684
Net increase in cash and cash equivalents	229

Notes to the Financial Statements

December 31, 2021

27. PARTIALLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

	AngioCare RMB'000
<hr/>	
Year ended December 31, 2020	
Total expenses	(44,430)
Loss for the period from the acquisition date to December 31, 2020	(43,052)
<hr/>	
Total comprehensive loss for the period from the acquisition date to December 31, 2020	(43,052)
<hr/>	
As at December 31, 2020	
Current assets	11,168
Non-current assets	141,755
Current liabilities	4,412
Non-current liabilities	20,784
<hr/>	
Year ended December 31, 2020	
Net cash flows used in operating activities	(1,409)
Net cash flows from investing activities	7
Net cash flows used in financing activities	(264)
<hr/>	
Net decrease in cash and cash equivalents	(1,666)
<hr/>	

Notes to the Financial Statements

December 31, 2021

28. SHARE-BASED COMPENSATION

In September, 2020, the board of the Company passed a resolution to grant up to 14,509,413 restricted shares of the Company to directors, employees and founders of the Company and AngioCare ("2020 Plan"). The 2020 Plan was established for certain personnel in order to retain certain eligible employees for the continual operation and development of the Group.

Pursuant to the 2020 Plan, BAIXIN ANTONG and BAIHATE, two employee incentive platforms established in the PRC, subscribed for 7,602,683 and 6,906,730 shares of the Company at RMB1.00 per share for total considerations of RMB7,602,683 and RMB6,906,730, respectively.

Under the platforms, 3,105,696 shares were granted to Mr. Jay Qin, a former technology consultant of AngioCare with no service periods or performance target requirements, as reward of his surrender of rights related to patents of AngioCare. 380,134 shares were granted to an employee with 50% and 50% of total shares vesting on the first, and second anniversary after the grant date and 11,023,583 shares were granted to other employees with a three-year vesting period with 33.33%, 33.33% and 33.34% of total shares vesting on the first, second and third anniversary after the grant date. The shares were valued by the directors of the Company with reference to Series D Round Financing price. The weighted average fair value of the shares was determined to be RMB54.41 per share as of these grant dates.

Details of granted shares are as follows:

Date of grant	Number of restricted shares	Subscription price per share
September 18, 2020 to September 28, 2020	14,509,413	RMB1.00

Notes to the Financial Statements

December 31, 2021

28. SHARE-BASED COMPENSATION (CONTINUED)

Set out below are details of the movements of the outstanding restricted shares granted under the 2020 Plan throughout the reporting periods.

	Outstanding at January 1, 2020	Granted during the year	Forfeited	Vested	Impact of conversion into a joint stock company	Outstanding at December 31, 2020
Restricted shares	–	14,509,413	–	3,105,696	30,538,274	41,941,991

	Outstanding at January 1, 2021	Granted during the year	Forfeited	Vested	Outstanding at December 31, 2021
Restricted shares	41,941,991	–	–	3,864,595	38,077,396

During the year, share award expenses of RMB318,724,000 (2020: RMB268,115,000) were charged to profit or loss.

Notes to the Financial Statements

December 31, 2021

29. BUSINESS COMBINATION

On September 10, 2020, the Company entered into a share purchase agreement with the shareholders of AngioCare to acquire 65.69% equity interests from Mr. Philip Li Wang, Mr. Jay Qin and other investors at a cash consideration of RMB229,950,000. The remaining 24.31% equity interests and 10.00% equity interests are held by TERUMO (China) Holdings Co., Ltd. and another third party investor, respectively. AngioCare was founded in 2011 and mainly engaged in the research and development of renal denervation medical devices. The acquisition was made as part of the Company's strategy to build an integrated interventional procedural device platform.

The acquisition was completed on September 21, 2020 when the Company obtained control of the operation and finance activities of AngioCare.

The purchase consideration for the acquisition was in the form of cash, with RMB229,950,000 fully paid by December 31, 2020.

The fair values of the identifiable assets and liabilities of AngioCare as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Cash and cash equivalents		9,533
Prepayments, other receivables and other assets		3,033
Amounts due from related parties		1,414
Property, plant and equipment	14	3,234
Other intangible assets	18	137,200
Right-of-use assets	15	1,394
Other payables and accruals		(2,321)
Trade payables		(10)
Deferred income	23	(1,674)
Lease liabilities	15	(1,340)
Deferred tax liabilities	24	(20,580)
Total identifiable net assets at fair value		129,883
Non-controlling interests		44,563
		85,320
Goodwill on acquisition	16	144,630
Consideration satisfied by cash		229,950

Notes to the Financial Statements

December 31, 2021

29. BUSINESS COMBINATION (CONTINUED)

There were no trade receivables as at the date of acquisition.

Goodwill arose in the acquisition of AngioCare because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, research and development ability, future market development and the assembled workforce of AngioCare. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

There were no outstanding employee share options or other share-based awards issued by AngioCare at the acquisition date. The management of the Company evaluated that the issue of the equity instrument of the Company to eligible employees of AngioCare and a consultant from September 18, 2020 to September 28, 2020 as detailed in note 28 did not constitute part of the consideration for the acquisition of AngioCare completed on September 21, 2020 and instead, was a transaction separate from the acquisition and fell into the scope of IFRS2 because (1) the equity instruments granted to the employees of AngioCare were in exchange for their continued service following the business combination and (2) the equity instruments granted to the consultant were not in his capacity as a shareholder but as reward of the surrender of his rights on the intellectual property rights pertaining to renal denervation developed during his tenure as a consultant of AngioCare.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid in the year ended December 31, 2020	(229,950)
Cash and cash equivalents acquired	9,533
Net outflow of cash and cash equivalents included in cash flows from investing activities	(220,417)
Transaction costs of the acquisition included in cash flows from operating activities	–
	(220,417)

Since the acquisition, AngioCare has not contributed any revenue to the Group and caused a loss of RMB43,052,000 to the Group for the period from the date of acquisition to December 31, 2020.

Had the business combination taken place at the beginning of the year ended December 31,2020, the loss of the Group for the year ended December 31,2020 would have been RMB347,540,000.

Notes to the Financial Statements

December 31, 2021

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,292,000 (2020: RMB1,167,000) and RMB4,292,000 (2020: RMB1,167,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Amounts due to related parties-non- trade related RMB'000	Accrued listing expenses included in other payables RMB'000	Total RMB'000
At December 31, 2019 and January 1, 2020	1,323	5,347	–	6,670
Changes from financing cash flows	(1,167)	(5,347)	(3,883)	(10,397)
Changes from operating cash flows	–	–	(2,705)	(2,705)
Increase arising from acquisition of a subsidiary (note 29)	1,340	–	–	1,340
Interest portion of lease liabilities	56	–	–	56
COVID-19-related rent concessions	(236)	–	–	(236)
Increase in deferred listing expenses	–	–	8,273	8,273
Increase in listing expenses included in administrative expenses	–	–	5,461	5,461
At December 31, 2020 and January 1, 2021	1,316	–	7,146	8,462
Changes from financing cash flows	(4,292)	–	(7,274)	(11,566)
Changes from operating cash flows	–	–	(12,407)	(12,407)
Interest portion of lease liabilities	685	–	–	685
New leases entered	24,737	–	–	24,737
Deferred issue costs	–	–	4,910	4,910
Increase in listing expenses included in administrative expenses	–	–	19,400	19,400
At December 31, 2021	22,446	–	11,775	34,221

Notes to the Financial Statements

December 31, 2021

31. COMMITMENTS

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

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for: Purchases of items of property, plant and equipment	895	2,875

32. RELATED PARTY TRANSACTIONS

(a) Names and relationships

Name of related parties	Relationship with the Group
Mr. Philip Li Wang	Director
Ms. Peili Wang	Supervisor
Shanghai Yiyou Trading Co., Ltd.	Significantly influenced by Mr. Philip Li Wang
AngioCare*	Significantly influenced by Mr. Philip Li Wang

* AngioCare was significantly influenced by Mr. Philip Li Wang as Mr. Philip Li Wang was a director of AngioCare. After the acquisition in September, 2020 as detailed in note 29, AngioCare became a subsidiary of the Group.

Notes to the Financial Statements

December 31, 2021

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party transactions

Except as disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the reporting periods:

	2021 RMB'000	2020 RMB'000
Purchases of services:		
AngioCare	N/A	507
Loan to a related party:		
Mr. Philip Li Wang	–	528
Repayments of a loan to a related party:		
Mr. Philip Li Wang	–	1,351
Repayments of borrowings from related parties:		
Mr. Philip Li Wang	–	627
Ms. Peili Wang	–	4,220
Shanghai Yiyou Trading Co., Ltd.	–	500
	–	5,347

(c) Outstanding balances with related parties:

The Group had no outstanding balances with related parties.

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

The remuneration of directors, supervisors and the chief executive of key management was as follows:

	2021 RMB'000	2020 RMB'000
Salaries, bonuses, allowances and benefits in kind	4,961	1,738
Pension scheme contributions	232	4
Equity-settled share award expense	269,556	86,149
Total compensation paid to key management personnel	274,749	87,891

Further details of directors', supervisors' and the chief executive's remuneration are set out in note 9 to the financial statements.

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting periods are as follows:

As at December 31, 2021

Financial assets

	Financial assets at amortised cost RMB'000
Financial assets included in prepayments, other receivables and other assets	2,184
Cash and cash equivalents	708,531
	710,715

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	10
Financial liabilities included in other payables and accruals	7,289
	7,299

Notes to the Financial Statements

December 31, 2021

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting periods are as follows: (continued)

As at December 31, 2020

Financial assets

	Financial assets at amortised cost RMB'000
Financial assets included in prepayments, other receivables and other assets	1,404
Cash and cash equivalents	453,667
	<hr/>
	455,071

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	10
Financial liabilities included in other payables and accruals	257
	<hr/>
	267

Notes to the Financial Statements

December 31, 2021

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values

All the carrying amounts of the Group's financial instruments are those with carrying amounts that reasonably approximate to fair values. Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade payables, lease liabilities (in current portion) and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the other non-current financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group did not have any financial assets or liabilities, other than stated above, measured at fair value as at the end of each of the reporting periods.

The Group's finance department headed by Chief Financial Officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the reporting periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has certain cash and cash equivalents denominated in foreign currencies, mainly United States Dollars ("USD") and Hong Kong Dollars ("HKD"), which are exposed to foreign currency risk. The Group has not hedged its foreign currency risk.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the USD exchange rate and HKD exchange rate, with all other variables held constant, of the Group's loss before tax and equity (due to changes in the fair value of monetary assets and liabilities).

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December 31, 2021

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

	Increase/ (decrease) in the rate of foreign currency %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity RMB'000
December 31, 2021			
If RMB weakens against USD	5	14,179	14,179
If RMB strengthens against USD	5	(14,179)	(14,179)
If RMB weakens against HKD	5	19,799	19,799
If RMB strengthens against HKD	5	(19,799)	(19,799)
December 31, 2020			
If RMB weakens against USD	5	16,550	16,550
If RMB strengthens against USD	5	(16,550)	(16,550)

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents and other receivables and other assets included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at the end of each of the reporting periods, cash and cash equivalents were deposited in banks with high credit rating without significant credit risk.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains the level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

Notes to the Financial Statements

December 31, 2021

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of each of the reporting periods, based on the contractual undiscounted payments, is as follows:

	As at December 31, 2021				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	10	–	–	–	10
Financial liabilities included in other payables and accruals	–	–	600	–	600
Lease liabilities	1,175	1,676	4,644	17,157	24,652
	1,185	1,676	5,244	17,157	25,262

	As at December 31, 2020				
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	10	–	–	–	10
Financial liabilities included in other payables and accruals	257	–	–	–	257
Lease liabilities	–	482	791	80	1,353
	267	482	791	80	1,620

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital as at the end of each of the reporting periods.

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	47,664	15,641
Prepayments, other receivables and other assets	2,766	11,820
Right-of-use assets	21,128	430
Investment in a subsidiary	398,336	270,846
Amounts due from related parties	19,000	–
Total non-current assets	488,894	298,737
CURRENT ASSETS		
Prepayments, other receivables and other assets	43,065	15,211
Cash and cash equivalents	700,436	445,801
Total current assets	743,501	461,012
CURRENT LIABILITIES		
Lease liabilities	6,624	224
Other payables and accruals	26,196	9,045
Amounts due to related parties	1,414	1,414
Deferred income	943	187
Total current liabilities	35,177	10,870
NET CURRENT ASSETS	708,324	450,142
TOTAL ASSETS LESS CURRENT LIABILITIES	1,197,218	748,879
NON-CURRENT LIABILITIES		
Lease liabilities	15,092	–
Deferred income	7,471	6,478
Total non-current liabilities	22,563	6,478
Net assets	1,174,655	742,401
EQUITY		
Equity attributable to owners of the parent		
Share capital	243,937	220,000
Reserves	930,718	522,401
Total equity	1,174,655	742,401

Notes to the Financial Statements

December 31, 2021

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2020	80,528	29,470	(100,497)	9,501
Total comprehensive loss for the year	–	–	(297,243)	(297,243)
Capital contribution by shareholders	702,212	–	–	702,212
Equity-settled share award expense	–	268,115	–	268,115
Conversion into a joint stock company	(478,446)	–	318,262	(160,184)
At December 31, 2020 and January 1, 2021	304,294	297,585	(79,478)	522,401
Total comprehensive loss for the year	–	–	(268,533)	(268,533)
Issue of H shares from initial public offering ("IPO") (note 25)	371,309	–	–	371,309
Listing expenses attributed to issue of new shares	(13,183)	–	–	(13,183)
Equity-settled share award expense	–	318,724	–	318,724
At December 31, 2021	662,420	616,309	(348,011)	930,718

37. EVENT AFTER THE REPORTING PERIOD

No significant events occurred after the reporting period.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 18, 2022.

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

“AGM”, “Annual General Meeting”	the forthcoming 2021 annual general meeting of the Company
“AngioCare”	Shanghai AngioCare Medical Technology Co., Ltd.* 上海安通醫療科技有限公司, a subsidiary of our Company
“Articles of Association”	the articles of association of the Company currently in force
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“CG Code”, “Corporate Governance 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”	Shanghai Bio-heart Biological Technology Co., Ltd. (上海百心安生物技術股份有限公司), a joint stock company incorporated in the PRC with limited liability on December 8, 2020, or, where the context requires (as the case may be), its predecessor with the same English name (上海百心安生物技術有限公司), a limited liability company established in the PRC on July 18, 2014
“Core Product”	Bioheart®, the designated “core product” as defined under Chapter 18A of the Listing Rules
“Connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CRO(s)”	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
“Deed of Non-competition”	the deed of non-competition executed by our Controlling Shareholder in favour of us on June 25, 2021
“Director(s)”	the director(s) of the Company or any one of them
“Domestic Share(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded in any stock exchange
“Global Offering”	the global offering of the H Shares, details of which are set forth in the Prospectus

Definitions

“Group”, “the 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
“H Shares”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IPO”	the initial public offering of the H Shares on the Main Board of the Stock Exchange on December 23, 2021
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Date”	December 23, 2021, on which the H 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 Stock Exchange (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
“Mr. Wang”	Mr. Philip Li Wang (汪立), our Founder, Controlling Shareholder, the chairperson of our Board, our general manager and an executive Director of our Company
“NDA”	new drug application
“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)
“PRC Company Law”	the Company Law of the People’s Republic of China revised and adopted by the Standing Committee of the Twelfth National People’s Congress on December 28, 2013 and enforced on March 1, 2014 (as amended, supplemented or otherwise modified from time to time)

Definitions

“PRC Law”	the laws of the People’s Republic of China
“Prospectus”	the prospectus of the Company dated December 13, 2021
“R&D”	Research and development
“Reporting Period”	the year ended December 31, 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	member(s) of the board of Supervisors of the Company
“Terumo”	Terumo (China) Investment Co., Ltd. (泰爾茂(中國)投資有限公司), a limited liability company incorporated in the PRC on August 2, 2011 and is a wholly-owned subsidiary of Terumo Corporation (泰爾茂株式會社), a company listed on the Tokyo Stock Exchange (TSE: 4543). Terumo refers to Terumo (China) Investment Co., Ltd. (泰爾茂(中國)投資有限公司) or Terumo Corporation (泰爾茂株式會社), where the context requires
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Unlisted Foreign Shares”	ordinary shares issued by our company with a nominal value of RMB1.00 each and are held by foreign investors and are not listed on any stock exchange
“%”	per cent

* For identification purpose only