LifeTech Scientific Corporation
先健科技公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

As at 30 March 2022

EXECUTIVE DIRECTORS

XIE Yuehui
(Chairman and Chief Executive Officer)
LIU Jianxiong
(Executive Vice President, Chief Financial Officer and Company Secretary)

NON-EXECUTIVE DIRECTORS

JIANG Feng
FU Feng (resigned on 19 April 2021)

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph
WANG Wansong
ZHOU Luming

COMPANY SECRETARY

LIU Jianxiong

AUTHORISED REPRESENTATIVES

XIE Yuehui
LIU Jianxiong

AUDIT COMMITTEE

LIANG Hsien Tse Joseph *(Chairman)*
ZHOU Luming
WANG Wansong

NOMINATION COMMITTEE

ZHOU Luming *(Chairman)*
XIE Yuehui
LIANG Hsien Tse Joseph

REMUNERATION COMMITTEE

WANG Wansong *(Chairman)*
XIE Yuehui
LIANG Hsien Tse Joseph

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.lifetechmed.com

STOCK CODE

1302

LISTING DATE ON THE GROWTH ENTERPRISE MARKET

10 November 2011

DATE OF TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD

6 November 2013

PRINCIPAL BANKERS

China Merchants Bank, Shenzhen Chegongmiao Branch
Block A, 1/F Tianxiang Building
Tianan Chegongmiao Industrial District
Futian, Shenzhen, PRC

China Construction Bank, Shenzhen Nanxin Branch
1/F China Construction Bank Building
No. 1 Guankou Road, Nanshan District
Shenzhen, PRC

HONG KONG LEGAL ADVISOR

Allen & Overy
9/F, Three Exchange Square
Central
Hong Kong SAR

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND ADDRESS OF HEADQUARTERS

LifeTech Scientific Building
No.22, Keji 12th Road South,
High-tech Industrial Park,
Nanshan District,
Shenzhen 518063, PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE HONG KONG COMPANIES ORDINANCE

31/F, 148 Electric Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102
Cayman Islands

FINANCIAL SUMMARY

FINANCIAL SUMMARY

	Year ended 31 December		
	2021 RMB'000	2020 RMB'000	Change
Revenue	**925,334**	642,299	44.1%
Gross profit	**747,534**	513,145	45.7%
Operating profit	**328,739**	264,489	24.3%
Profit before tax	**332,928**	242,624	37.2%
Profit for the year attributable to owners of the Company	**292,472**	216,085	35.4%
Earnings per share			
– Basic	**RMB6.8 cents**	RMB5.0 cents	36.0%
– Diluted	**RMB6.4 cents**	RMB4.9 cents	30.6%

FIVE YEARS' FINANCIAL SUMMARY

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**925,334**	642,299	668,879	556,698	409,125
Profit for the year	**283,357**	207,043	127,164	121,353	163,574
Assets					
Non-current assets	**1,346,643**	1,409,703	1,166,425	953,147	662,891
Current assets	**1,837,072**	1,544,846	605,801	577,985	606,866
Total assets	**3,183,715**	2,954,549	1,772,226	1,531,132	1,269,757
Liabilities					
Current liabilities	**481,907**	493,601	341,223	208,271	156,480
Non-current liabilities	**171,706**	102,458	269,341	78,971	57,311
Total liabilities	**653,613**	596,059	610,564	287,242	213,791
Total equity	**2,530,102**	2,358,490	1,161,662	1,243,890	1,055,966

Dear shareholders,

On behalf of the board (the "Board") of directors (collectively, the "Directors", and each a "Director") of LifeTech Scientific Corporation (the "Company" or "Lifetech"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

FINANCIAL REVIEW

The revenue of the Group was approximately RMB925.3 million for the year ended 31 December 2021 as compared to approximately RMB642.3 million for the corresponding period of 2020, representing an increase of approximately 44.1%. Gross profit was approximately RMB747.5 million for the year ended 31 December 2021 as compared to approximately RMB513.1 million for the corresponding period of 2020, representing an increase of approximately 45.7%.

Net profit attributable to owners of the Company was approximately RMB292.5 million for the year ended 31 December 2021 as compared to approximately RMB216.1 million for the corresponding period of 2020, representing an increase of approximately 35.4%.

OPERATION REVIEW

The Group continued to promote the existing businesses of our major products and also actively expanded our distribution network around the world. The sales of the Group have been continuously increasing due to our constant marketing efforts and our enhanced brand image. We have also achieved great breakthroughs in research and development field, G-iliac™ Iliac Artery Bifurcation Stent Graft System, LAxible™ Left Atrial Appendage ("LAA")Occluder, Yuranos™ Abdominal Aortic Stent Graft System and several other products obtained official registration approval from the National Medical Products Administration in China ("NMPA"). IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System ("IBS™ Coronary Scaffold") obtained the implied permission for conducting confirmatory clinical trials in China. The two-year follow-up results of the first in man clinical trial showed that the IBS™ Coronary Scaffold had favourable preliminary mid-term efficacy and safety in the treatment of non-complex de novo coronary artery lesions. The success rate of the clinical trial is 100%, and almost all the scaffold struts had been degraded in two years, with no malapposition during the degradation process. Additionally, more than a dozen of products are currently in the clinical trials stage, and their clinical data provided preliminary evidence proving the safety and efficacy of the products. Besides, G-Branch™ Thoracoabdominal Artery Stent Graft System and Artery Stent Graft System (chimney graft, consists of the Ankura™ Pro Artery Stent Graft System and Longuette™ Aortic Branch Stent Graft System) had passed the special review application of the NMPA and had been successively approved as innovative medical devices. As at the date of this annual report, 14 products of the Company have been approved as innovative medical devices by the NMPA.

The Group also has received various awards in 2021, such as the invention patent with "LAA occluder" won a Chinese Patent gold award as awarded by the China National Intellectual Property Administration, which is the first gold medal for invention patent in the field of cardiovascular minimally invasive interventional medical devices; the "congenital heart disease surgical treatment strategy and key technology innovation and promotion" project jointly completed with certain well-known hospitals, won the second prize of the Chinese Medical Science and Technology Award as issued by Chinese Medical Association; and Lifetech Scientific (Shenzhen) Co., Ltd. (先健科技(深圳)有限公司) ("Lifetech Shenzhen"), a wholly-owned subsidiary of the Company, earned the honorary title of "Little Giant" Enterprise with professionalism, refinement, specialization and innovation, awarded by Small and Medium Enterprise Administration of the Ministry of Industry and Information Technology of the People's Republic of China, and was listed among the Top 100 Shenzhen Enterprise Innovation Capability List in 2021. These awards recognise the Group's past efforts and contributions, as well as consolidate the Group's core values and promote its strategic development.

PROSPECTS

Our Group has always adhered to the internationalization strategy, continued to expand in overseas markets, and aspired to remain as a global leadership in product quality and technological innovation. We will continue to improve and strengthen our quality management and be trusted by customers in our products; technically trusted by the market through continuous research and development investment and innovative talent trainings; and trusted by shareholders and employees through building a business platform for joint development and sharing results. We will bring better health to more patients by continuing to enhance the Company's product competitiveness and brand awareness.

We will continue to evaluate and explore acquisitions, partnerships, alliances and licensing opportunities in 2022, so as to enhance our competitiveness and market position in current key markets as well as selective new markets, and ultimately to realise the Company's strategic target in the global health industry.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders and business associates, and thank all directors, senior management and employees for their past efforts and contributions for the development of the Group. We will strive to explore new business opportunities to achieve sustainable business growth and create returns for shareholders.

XIE Yuehui
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 30 March 2022

BUSINESS OVERVIEW

The Group is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. Currently the Group has three main product lines, including the structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. The structural heart diseases business mainly consists of congenital heart diseases occluders and LAA occluders. The peripheral vascular diseases business mainly includes vena cava filters and stent grafts. The product line for the cardiac pacing and electrophysiology business is mainly related to pacemakers. These product lines provide clinically effective and commercially attractive product offerings.

We currently have distributors in numerous countries across Asia, Africa, North America, South America and Europe, with sales network spreading all over the world.

Annual performances

In 2021, the market demand arising from aging population, urbanization and the increase of health awareness by the public is the driving force for steady industry growth. During the year, the Group leveraged on its advantages in brand image, strengthened academic promotion such as hosting live demonstrations, online seminars and experience sharing sessions by medical professionals, and optimised resources allocation to promote the Group's research and development projects, so as to seize opportunities to further develop its business amidst a changing and challenging environment.

During the year ended 31 December 2021, the Group achieved a revenue of approximately RMB925.3 million, representing an increase of approximately RMB283.0 million or approximately 44.1% as compared to the revenue of approximately RMB642.3 million for the year ended 31 December 2020. Mainland China remained as our largest market, where sales generated from the Chinese market accounted for approximately 83.6% of our total revenue for the year ended 31 December 2021 (2020: approximately 83.9%). Meanwhile, Europe and Asia (excluding Mainland China) were our two largest overseas markets, which accounted for approximately 7.4% and 5.6% of our total revenue for the year ended 31 December 2021, respectively (2020: approximately 9.0% and 4.4%, respectively). Domestic sales of the Group increased by approximately 43.6% as compared with the corresponding period in 2020, which was mainly attributable to (i) the COVID-19 pandemic situation having been contained in Mainland China and the resumption of economic activities after the adoption of stringent pandemic control measures; and (ii) the increased penetration of our products in the domestic market. Although the COVID-19 pandemic situation in most overseas markets remained unstable, the Group's overseas sales still increased by approximately 46.4% as compared with the corresponding period of 2020, which was mainly attributable to the Company's effective overseas marketing strategies.

Sales and marketing

The Group has an experienced sales and marketing team with professional skills to support and manage existing distribution networks as well as explore new markets. We improved our brand's and products' awareness by organizing and participating in domestic and international medical conferences, academic activities, seminars, live broadcast workshops and trainings for medical professionals. Meanwhile, the Group is committed to the establishment and improvement of an academic exchange platform without borders. Lifetech Knowledge Exchange Program, which was established by the Group in 2012, connected cardiovascular experts around the world for academic exchanges. These experts shared and exchanged valuable medical experiences and clinical skills to promote the development of medical technology in the field of minimally invasive cardiovascular interventions. Such activities demonstrated our strength in product innovation and enhanced our international influence, thereby promoted the Company's sales.

Research and development ("R&D")

Independently developed innovative domestic medical device products maintain the competitive strength of the Company, and also provide more effective treatments to patients around the world. In 2021, the Company continuously strengthened its innovation capabilities and accelerated the development of products, to maintain its leading position in the industry.

During the year ended 31 December 2021, we have made the following main progress in the R&D field:

- G-iliac™ Iliac Artery Bifurcation Stent Graft System, LAxible™ LAA Occluder, Yuranos™ Abdominal Aortic Stent Graft System, LAnavi™ Jointed Steerable Introducer, OKcurve™ Steerable Delivery System, Freepath™ Guidance System and iCable™ Delivery Cable obtained official registration approval from the NMPA;

- Xuper™ Open Surgery Stent Graft System obtained the CE certification in European Union;

- IBS Angel™ Iron Bioresorbable Scaffold System ("IBS Angel™") obtained registration approval from Medical Device Authority in Malaysia, being the only absorbable stent product suitable for children in the world. Meanwhile, IBS Angel™ has started clinical enrollment in China and successfully implanted in more than 10 cases;

- G-Branch™ Thoracoabdominal Artery Stent Graft System and Artery Stent Graft System (chimney graft, consists of the Ankura™ Pro Artery Stent Graft System and Longuette™ Aortic Branch Stent Graft System), were approved as innovative medical devices in China. At present, 14 products of the Company have been approved as innovative medical devices by the NMPA;

- Cinenses™ Lung Volume Reduction Reverser System has completed the enrollment of clinical trials in Europe and entered into a one-year follow-up stage with safe and effective preliminary clinical results. Meanwhile, clinical trials for this product in China are in preparation;

- G-Branch™ Thoraco-Abdominal Aortic Stent Graft System has completed the enrollment of the first in man clinical trial and the mid-term follow-up results are positive, which is currently at the stage of the pre-marketing clinical enrollment;

- LAmbre™ LAA Occluder System, IBS Titan™ Sirolimus-Eluting Iron Bioresorbable Peripheral Scaffold System and IBS Angel™ were approved in the United States by the Food and Drug Administration for "Compassionate Use"; and
- IBS™ Coronary Scaffold obtained the implied permission for conducting confirmatory clinical trials in China. The two-year follow-up results of the first in man clinical trial showed that the IBS™ Coronary Scaffold had favorable preliminary mid-term efficacy and safety in the treatment of non-complex de novo coronary artery lesions. The success rate of the clinical trial is 100%, and almost all the scaffold struts had been degraded in two years, with no malapposition during the degradation process.

PATENTS AND BRANDING

Intellectual property is an important intangible asset of the Group, and is also an internal driving force for improving our core competitiveness in the medical device market. During the year ended 31 December 2021, the Group had filed 252 patent applications while 156 patents were registered. As at 31 December 2021, the Group had filed a total of 1,529 patent applications, of which 584 were registered.

In 2021, "LAA occluder" won a gold award of China Patent Award as awarded by the China National Intellectual Property Administration, and two other patents won silver awards as awarded by the Guangdong Intellectual Property Administration.

FINANCIAL REVIEW

Overview

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

Revenue

The revenue of the Group was approximately RMB925.3 million for the year ended 31 December 2021, representing an increase of approximately RMB283.0 million or approximately 44.1% from approximately RMB642.3 million for the year ended 31 December 2020. This increase was mainly due to the increase in revenue from the sales of stent grafts, Cera occluders and LAmbre™ LAA occluders.

Revenue from structural heart diseases business

The turnover contributed by the structural heart diseases business for the year ended 31 December 2021 was approximately RMB331.1 million, representing a growth of approximately 60.4% from approximately RMB206.4 million for the year ended 31 December 2020.

With the diversification of product portfolio, our products cover a wide spectrum of the structural heart diseases business, which mainly include LAA occluders and three generations of congenital heart occluders namely HeartR, Cera and CeraFlex. As compared to the year ended 31 December 2020, the revenue generated from the sales of LAmbre™ LAA occluders, HeartR occluders, Cera occluders and CeraFlex occluders for the year ended 31 December 2021 increased by approximately 83.8%, 29.6%, 88.2% and 16.6%, respectively.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2021 was approximately RMB548.5 million, representing a growth of approximately 33.4% from approximately RMB411.3 million for the year ended 31 December 2020.

The products we offered in the peripheral vascular diseases business mainly include vena cava filters, Thoracic Aortic Aneurysm stent grafts, Abdominal Aortic Aneurysm stent grafts and Iliac Artery Bifurcation stent grafts. As compared to the year ended 31 December 2020, the revenue generated from the sales of stent grafts and vena cava filters for the year ended 31 December 2021 increased by approximately 38.2% and 15.8%, respectively.

Revenue from cardiac pacing and electrophysiology business

The turnover contributed by the cardiac pacing and electrophysiology business for the year ended 31 December 2021 was approximately RMB45.7 million, representing a growth of approximately 85.8% from approximately RMB24.6 million for the year ended 31 December 2020.

Gross profit and gross profit margin

Gross profit of the Group increased by approximately 45.7% from approximately RMB513.1 million for the year ended 31 December 2020 to approximately RMB747.5 million for the year ended 31 December 2021. Gross profit margin increased by 0.9% from approximately 79.9% for the year ended 31 December 2020 to approximately 80.8% for the year ended 31 December 2021. This increase was mainly due to (i) the optimisation of our sales portfolio and the increase in the sales volume of our high gross profit margin products; and (ii) the decrease in unit cost of our products as a result of the increase in sales and production volume and relative decrease in unit allocation of fixed expenses such as indirect labor, property, plant and equipment depreciation.

Other income, expenses, gains and losses

Other income, expenses, gains and losses decreased from approximately RMB246.9 million for the year ended 31 December 2020 to approximately RMB9.8 million for the year ended 31 December 2021, such change was mainly due to (i) an increase in loss from changes in fair value of financial assets at fair value through profit and loss ("FVTPL"), which was in relation to the investment in Ally Bridge Group Innovation Capital Partners III, L.P.. Please refer to the section headed "Financial assets at FVTPL" below and note 6 and note 19 to the consolidated financial statements in this annual report for further information; and (ii) an increase in net foreign exchange losses.

Selling and distribution expenses

Selling and distribution expenses decreased by 10.3% from approximately RMB216.4 million for the year ended 31 December 2020 to approximately RMB194.2 million for the year ended 31 December 2021. This decrease was mainly due to the reduction in staff costs resulting from the decrease in the share-based payment expenses.

Administration expenses

Administration expenses decreased by 6.8% from approximately RMB104.1 million for the year ended 31 December 2020 to approximately RMB97.0 million for the year ended 31 December 2021. This decrease was mainly due to the reduction in staff costs resulting from the decrease in the share-based payment expenses.

Research and development expenses

Research and development expenses decreased by 12.8% from approximately RMB167.3 million for the year ended 31 December 2020 to approximately RMB145.9 million for the year ended 31 December 2021. In addition, during the year ended 31 December 2021, approximately RMB66.6 million (2020: approximately RMB53.3 million) was capitalised in development expenditure. Considering such capitalised expenditure, research and development cost decreased by approximately 3.7% from approximately RMB220.6 million for the year ended 31 December 2020 to approximately RMB212.5 million for the year ended 31 December 2021. This decrease was mainly due to the reduction in staff costs resulting from the decrease in the share-based payment expenses.

Operating profit

Operating profit increased by approximately 24.3% from approximately RMB264.5 million for the year ended 31 December 2020 to approximately RMB328.7 million for the year ended 31 December 2021. This increase was primarily due to (i) the growth of gross profit; and (ii) the decrease in expenses.

Share of results of associates

The Group's share of losses in associates was approximately RMB0.9 million for the year ended 31 December 2021 (2020: loss of approximately RMB2.8 million).

Financial assets at FVTPL

On 10 May 2018, the Group invested USD20.0 million (equivalent to approximately RMB127.3 million) to subscribe for 2,000 participating shares representing of approximately 26.67% equity interest in ABG-Grail Limited ("ABG-Grail"), which held 15,786,150 preferred shares representing approximately 1.93% equity interest in Grail, Inc. ("GRAIL"). Through such structure, the Group indirectly held approximately 0.5% effective interest in GRAIL. On 21 September 2020, Illumina, Inc. (NASDAQ: ILMN) and GRAIL announced they have entered into a definitive agreement under which Illumina, Inc. will acquire GRAIL for cash and stock consideration of USD8,000.0 million upon closing of the transaction. On 18 August 2021, Illumina, Inc. announced the completion of its USD8,000.0 million acquisition of GRAIL for a combination of cash and stock. Subsequently, ABG-Grail received the net proceeds from the disposal of its interest in GRAIL and distributed approximately USD42.9 million (equivalent to approximately RMB277.3 million) to the Group in relation to our proportionate share of ABG-Grail. Following the disposal of GRAIL, ABG-Grail held no investment in any other entities as at 31 December 2021.

On 25 May 2018, the Group also invested USD6.0 million (equivalent to approximately RMB38.2 million) to subscribe for the partnership interest of approximately 9.69% in Ally Bridge Group Innovation Capital Partners III, L.P., a private equity fund established in Cayman Islands (the "Equity Fund"). The Equity Fund principally invests in securities or assets of companies that are involved in the healthcare industry, with a particular focus on cross-border innovative late-stage venture opportunities and cross-over investments. The fair value of our investment in the Equity Fund as at 31 December 2021 amounted to RMB17.2 million (2020: RMB92.5 million), representing approximately 0.5% (2020: 3.1%) of the Company's total assets. The Group recorded a loss from fair value changes for the investment in the Equity Fund of approximately RMB74.1 million during the reporting period, which was primarily due to the relatively large amount of dividend distribution from the Equity Fund in 2021, as well as the fluctuations in the capital market. During the year ended 31 December 2021, the Equity Fund distributed dividend income of approximately RMB47.8 million (2020: approximately RMB10.0 million) to the Group. Based on the amount of dividend income generated in 2021 and 2020, as well as the outlook of the healthcare industry, the Company is optimistic on the prospects for the investments of the Equity Fund.

The aggregate unrealised foreign exchange loss in financial assets at FVTPL was approximately RMB1.3 million for the year ended 31 December 2021 (2020: loss of approximately RMB21.7 million), and the aggregate loss from changes in fair value of financial assets at FVTPL was approximately RMB74.1 million for the year ended 31 December 2021 (2020: gain of approximately RMB200.1 million). The fair value on financial assets was determined with reference to valuation report carried out by an independent qualified professional valuer, GW Financial Advisory Services Limited.

The investments were classified as financial assets at FVTPL in accordance with IFRS 9. Additional information in relation to these investments is set out in note 19 and note 38(c) to the consolidated financial statements in this annual report. In the opinion of the Directors, the investment in the Equity Fund is held for long-term strategic investment purposes and, as such, the investment is classified as non-current asset.

Finance income and finance costs

The Company earned an interest income of approximately RMB7.7 million for the year ended 31 December 2021 (2020: approximately RMB6.6 million).

The finance costs were decreased to approximately RMB2.6 million for the year ended 31 December 2021 (2020: approximately RMB25.7 million). This was due to the decrease in interest-bearing bank borrowings.

Income tax

Income tax increased from approximately RMB35.6 million for the year ended 31 December 2020 to approximately RMB49.6 million for the year ended 31 December 2021. This increase was mainly due to the increase in assessable income.

Net profit

Net profit attributable to owners of the Company for the year ended 31 December 2021, excluding certain non-recurring items, was approximately RMB324.0 million as compared to the net profit amounting to approximately RMB183.3 million in 2020, representing an increase of approximately 76.8%. Such non-recurring items include (i) the other gains and losses resulting from financial assets at fair value through profit and loss, which was a loss of approximately RMB11.8 million for 2021 in comparison with a gain of approximately RMB186.8 million in 2020, decreased by approximately RMB198.6 million; and (ii) the share-based payment expenses which were approximately RMB19.7 million for 2021 in comparison with approximately RMB154.0 million in 2020, decreased by approximately RMB134.3 million. Considering the influence arose therefrom, the Company recorded a net profit attributable to owners of the Company for the year ended 31 December 2021 of approximately RMB292.5 million, as compared to the net profit attributable to owners of the Company of approximately RMB216.1 million in 2020, representing an increase of approximately 35.4%.

LIQUIDITY AND FINANCIAL RESOURCES

In 2021, the Group mainly financed its operations with its own working capital and equity funding.

The Group recorded total current assets of approximately RMB1,837.1 million as at 31 December 2021 (31 December 2020: approximately RMB1,544.8 million) and total current liabilities of approximately RMB481.9 million as at 31 December 2021 (31 December 2020: approximately RMB493.6 million). As at 31 December 2021, total current liabilities of the Group primarily included trade payables, other payables and bank borrowings amounting to approximately RMB429.6 million (31 December 2020: approximately RMB439.5 million). Trade and other payables primarily included accrued expenses of approximately RMB158.8 million (31 December 2020: approximately RMB74.6 million) primarily in relation to clinical expenses and exhibition expenses, as well as accrued payroll and bonus of approximately RMB69.3 million (31 December 2020: approximately RMB63.5 million).

Trade receivables in terms of debtor turnover days was decreased to 42 days (2020: 50 days), while trade in terms of creditor turnover days was increased to 50 days (2020: 40 days).

The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group was approximately 3.81 as at 31 December 2021 (31 December 2020: approximately 3.13).

BORROWINGS

With the proceeds generated from the 2020 Placing (as defined under the section headed "Directors' Report - The 2020 Placing"), the Company repaid all of the bank borrowings in 2021. Please refer to the section headed "The 2020 Placing" under Directors' Report for further details. Particulars of the bank borrowings are set out in note 28 to the consolidated financial statements in this annual report. As at 31 December 2021, the Group did not have any bank borrowings (31 December 2020: approximately RMB174.5 million).

The interest incurred therefrom was approximately RMB2.0 million for the year ended 31 December 2021 (2020: approximately RMB24.7 million).

CASH AND CASH EQUIVALENTS

As at 31 December 2021, the Group's cash and cash equivalents were approximately RMB1,119.3 million, representing an increase of approximately 15.2% from approximately RMB971.7 million as at 31 December 2020. This increase was mainly due to the increase in cash from operating activities. Our cash and cash equivalents were mainly denominated in Renminbi and Hong Kong Dollars.

GEARING RATIO

As at 31 December 2021, the gearing ratio of the Group was zero (31 December 2020: 7.4 %), which was calculated based on the ratio of total bank borrowings to total equity. As the Group had repaid all of its bank borrowings, we did not have any bank borrowings as at 31 December 2021.

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB2,503.6 million as at 31 December 2021 as compared with approximately RMB2,340.1 million as at 31 December 2020.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's financial resources such as cash with the objective of maintaining a strong and healthy liquidity position to ensure that the Group is placed to seize future growth opportunities as and when such opportunities appear.

PROPERTY HELD FOR DEVELOPMENT

On 26 June 2019, Dongguan LifeTech Medical Co., Ltd (東莞市先健醫療有限公司) ("Dongguan LifeTech"), a wholly-owned subsidiary of the Company entered into a land use right transfer contract with the Dongguan Natural Resources Bureau (東莞市自然資源局) for the acquisition of land use right of a land which has a site area of 43,604 square meters located at the Southeast of the intersection of South 1 Road and South 8 Road in eastern Songshan Lake, Dongguan, Guangdong, the People's Republic of China ("PRC") (the "Land"). The land use right of the Land is wholly-owned by the Group which was acquired at a total consideration of approximately RMB43.6 million.

On 24 April 2020, Dongguan LifeTech entered into a construction contract with China Construction Second Engineering Bureau Limited for the construction of an industrial park above the Land. The industrial park is expected to consist of seven buildings comprising underground carparks, comprising plant, offices, canteen and dormitories with a total site area of approximately 43,604 square meters to cater for the Group's day-to-day business and operational needs in Dongguan and nearby regions. The contract price for the construction works is up to a maximum aggregate amount of RMB620.0 million. The construction contract was approved by independent shareholders by way of poll at the extraordinary general meeting ("EGM") of the Company held on 30 June 2020. For further details, please refer to the Company's announcements dated 26 June 2019, 24 April 2020 and 30 June 2020 and the circular dated 9 June 2020 for further information.

As at 31 December 2021, the entire basement and the main structure of all seven buildings have been completed. As at the date of this annual report, the decoration of the industrial park is under preparation and it is expected that it will be completed and ready for operational use in 2023.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed "Financial Review – Financial assets at FVTPL", there were no significant investments held by the Company for the year ended 31 December 2021, nor was there any plan authorised by the Board for other material investments or additions of capital assets as at the date of this annual report. The Group did not hold any significant investment with a value greater than 5% of its total assets as at 31 December 2021.

Our Group's investment strategy for significant investments is to identify investment opportunities with growth potential within the healthcare industry and seek opportunities for strategic cooperation. We hold our investments in equity instruments. Our investment objective is to form long-term strategic partnerships with companies in the medical industry with the potential of enriching our product lines and expanding our business scale thereby maximising shareholders' interest and to create more value.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2021.

FINANCIAL INSTRUMENT

As at 31 December 2021, the Group did not have any outstanding hedge contracts or financial derivative instruments.

CAPITAL EXPENDITURE

For the year ended 31 December 2021, the capital expenditure of the Group for property, plant and equipment, construction in progress, intangible assets, right-of-use assets and deposits for property, plant and equipment/right-of-use assets amounted to approximately RMB301.3 million (2020: approximately RMB159.6 million).

FOREIGN EXCHANGE RISK

During the year ended 31 December 2021, the Group's operations were primarily based in the PRC and Europe. The revenue derived from Europe accounted for approximately 7.4% (2020: approximately 9.0%) of the total revenue of the Group. The Group's operational results and financial condition may be affected by fluctuations in the exchange rates of the foreign currencies which the Group conducts its businesses with, such as Euros, US Dollars, Indian Rupees and HK Dollars. The Group had not implemented any hedging policies to deal with such exposure during the Reporting Period. However, the management of the Group monitors foreign currency exposure closely in order to keep the net exposure to an acceptable level. The Group will consider hedging significant foreign currency exposure should the need arises.

CHARGES ON GROUP ASSETS

As at 31 December 2021, the Group did not have any pledged bank deposits (31 December 2020: pledged bank deposits of RMB108.0 million) for the purpose of securing the bank borrowings.

Save as disclosed above, as at 31 December 2021, the Group did not have other charges on its assets.

CAPITAL COMMITMENT

As at 31 December 2021, the Group's capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB128.4 million (31 December 2020: approximately RMB283.5 million).

SEGMENT INFORMATION

During the year ended 31 December 2021, the revenue of the Group was principally generated from structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. With aging population, urbanization and the increase of health awareness by the public driving steady growth in the industry, together with our effort in R&D, it is expected that the market demand for the Company's products will show an upward trend in the future, which will lead to business growth.

Structural heart diseases business

The Company has developed four generations of congenital heart diseases occluders to satisfy various patients' needs, and to achieve differentiated marketing strategies. At the same time, we continue to upgrade the LAA occluder to meet the growing treatment demand with innovative technology. Driven by a large number of patients with atrial fibrillation around the world, the global market for the LAA occluder is expected to keep growing in the future.

Peripheral vascular diseases business

The Company provides patients with technology-leading systemic and comprehensive interventional medical devices treatment solutions of peripheral vascular diseases. Among those products, the market shares of vena cava filters and stent graft systems occupy a leading position in the domestic market. With the aging of the population, the increase of diseases detection rate and the expansion of product applications, the market demand for these products is expected to keep growing.

Cardiac pacing and electrophysiology business

The Company is the first manufacturer in China that has a complete product portfolio of implantable cardiac pacemakers with international-level technology and functions. As China currently has a large number of unsatisfied demand for pacemaker implantation treatment, and there is good potential for domestically-made pacemakers to substitute imported pacemakers, the market performance of the Company's domestically-made pacemakers is optimistic expected in the future.

Financial information related to these aspects is presented in note 5 to the consolidated financial statements in this annual report.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 943 (31 December 2020: 791) full-time employees and two executive Directors (31 December 2020: two). Total staff costs, including Directors' emoluments, amounted to approximately RMB225.8 million for the year ended 31 December 2021 (2020: approximately RMB314.6 million).

The employees of the Group who operate in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government under which the employees are entitled to a monthly pension after retirement. The Group is required to contribute a certain percentage of employee's salaries to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the aforementioned specified contributions. The Group operates the Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. Contributions to these schemes are expensed as incurred. During the year ended 31 December 2021, the total costs paid or payables in relation to contributions to retirement benefits scheme was approximately RMB18.3 million (2020: approximately RMB4.7 million). Forfeited contributions (by the Group on behalf of the employees who leave the aforesaid schemes prior to vesting fully in such contributions) may be not used by the Group to reduce the existing level of contributions.

The Group's remuneration policies were determined with reference to the performance, qualification and working experience of individual employees, as well as the results of the Group and the market conditions. The benefits provided by the Group to its employees include discretionary bonus, transportation and meal subsidies, basic and group medical insurance, work injury insurance, unemployment insurance, annual physical examination, share options, etc. We have a fair and effective performance appraisal system and schemes designed to motivate and reward employees at all levels for their performance and achievements. The Company adopted share option scheme on 22 October 2011 which was subsequently amended by unanimous written resolutions of the Board on 5 May 2015. On 17 September 2021, as the number of share options which may be granted under such share option scheme had reached its limit and it would soon expire, the Company terminated such share option scheme and adopted a new share option scheme to provide incentives for employees of the Group and other eligible participants thereunder. The Company has also adopted a share award scheme on 28 December 2018, which was subsequently amended by unanimous written resolutions of the Board on 29 April 2019 (the "2019 Share Award Scheme").

Employees are the cornerstone of enterprise development, and the Group is committed to providing all employees with a safe and comfortable working environment, opportunities of equal employment, trainings and career development, such as orientation programmes for new employees, regulation-related trainings and position skills trainings. The Group has also established a labour union to safeguard the legitimate rights of its employees and to further promote the Group's sustainable, stable and healthy development.

FUTURE PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Since the world is still affected by the COVID-19 pandemic, it is still difficult to predict the duration of the pandemic and the profoundness of its impact. If the global pandemic cannot be fully and effectively controlled in a short term, it may have an adverse impact on the Company's operations. Specifically, the pandemic will likely affect the manufacturing, supply chain, sales and marketing, and clinical trial progress of us and our business partners. In 2022, the Group will continue to closely monitor the latest developments of the pandemic, and effectively strengthen the management of cost and operational funds, so as to ensure the sustainable development of the Company. Meanwhile, we will operate our existing businesses with prudent and pragmatic guidelines, actively seek out investment opportunities that maximizes the internets of our shareholders, and spread the business risk by expanding the source of income.

In 2021, the Company and Medtronic, Inc. or its affiliates ("Medtronic") entered into a series of amendments to the existing agreements, the Amendments to Agreements will benefit the long-term and steady development of the Company, also in line with the Company's interest and the interests of the Company's shareholders. Pursuant to the amendments, MRI-conditional pacemaker products and the MRI-conditional lead products are added to the scope of the products, which will strengthen the Company's strategic cooperation with the Medtronic on pacemaker and future opportunities to expand such strategic collaboration.

Looking further ahead, we will continue to focus on the improvement of technology, automation production, and product quality, further improve the Group's innovation capabilities, continue to optimise the production and sales model, as well as consolidate and expand the Group's global market share, and strengthen the Group's international influence. In addition, we will continue to actively explore opportunities for investment and cooperation with companies with sound market potential in the global medical and health industry, integrate internal and external advantageous resources, expand our scope of business, and further deepen the Group's global presence. By achieving our ambitious goals in the global medical and health field, we will create greater value for patients, doctors, shareholders and other stakeholders.

ENVIRONMENT AND SUSTAINABILITY

We are committed to creating a successful business that is not achieved at the expense of the environment. The Company is dedicated to creating an environmentally friendly and sustainable operation. Our most significant environmental impact is created within our properties and manufacturing facilities, and through the use of raw materials, electricity, gas, paper and waste generation. We therefore invest in the latest technology to reduce our carbon emissions through energy efficient equipment. Internally, we are proactive in addressing our waste and recycling issues.

For further details and related data analysis on the environmental, social performance of the Group, please refer to our 2021 Environmental, Social and Governance Report which will be published as a separate report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief on the date of this annual report, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

XIE Yuehui (謝粵輝), aged 52, is our chairman, Chief Executive Officer and our executive Director. Mr. XIE has served as the director of Lifetech Shenzhen since October 2000 and was promoted to serve as the chairman of Lifetech Shenzhen since 2005. During the period from 2011 to 2020, Mr. XIE was appointed as a director of 6 overseas subsidiaries of our Group and 10 PRC subsidiaries of our Group. Mr. XIE was resigned as a director of 1 overseas subsidiary and 2 PRC subsidiaries of the Group in 2021 due to the equity change and dissolution of the subsidiaries. Mr. XIE is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. XIE has about 31 years of experience in business management in the PRC, including over 19 years in the medical device industry. In June 2015, Mr. XIE was appointed as a representative of the Sixth Shenzhen Municipal People's Congress. From 1991 to 1993, Mr. XIE served as the project manager of Eastern Tantalum Group (東方鉭業集團). From June 1993 to January 1994, Mr. XIE was the investment manager at a subsidiary of China Southern Securities (南方證券), and was responsible for project investment. From February 1994 to February 1996, Mr. XIE held the position of the deputy general manager at an investment branch of Bank of China, Jilin Province, and was responsible for managing futures investment projects. From February 1996 to December 1998, Mr. XIE served as the manager at the domestic trade department of Shenzhen Huihua Group (深圳市匯華集團), and was responsible for overall trade management. Since June 1998, Mr. XIE was a general manager at Shenzhen Huishibang Technology Company Limited (深圳市匯世邦科技有限公司) and was promoted to the chairman in 2000. During this period, Mr. XIE was responsible for overall business management. Mr. XIE graduated from Kunming Institute of Technology (昆明工學院) in July 1991 with a bachelor's degree in materials specialising in pressurised processing of metals (金屬壓力加工專業). He also obtained a master's degree in Business Administration from Tsinghua University in July 2006.

LIU Jianxiong (劉劍雄), aged 51, is our Executive Vice President, Chief Financial Officer, Company Secretary and our executive Director. He was appointed as a non-executive Director on 2 March 2015 and was subsequently re-designated as an executive Director with effect from 27 March 2015. On 13 July 2017, he was promoted to serve as Vice President. On 12 April 2019, he was further promoted to serve as Executive Vice President. Mr. LIU joined us in September 2010 and he has been appointed as a director of a number of the Group's subsidiaries, including LifeTech Scientific (Europe) Coöperatief U.A., LifeTech Scientific (Netherlands) B.V., and Dongguan LifeTech-Quantum Medical Technology Co., Ltd. since 2015. Mr. LIU was also appointed as the supervisor of Shenzhen LifeTech Innovation Medical Investment Co., Ltd. (深圳市先健創新醫療投資有限公司) in 2020. Mr. LIU has about 29 years of experience in the accounting field. He started his career as an auditor at Kwan Wong Tan & Fong (currently Deloitte Touche Tohmatsu) in 1993, and was primarily responsible for carrying out audits and consultancy work. Mr. LIU then continued to work with a number of multinational companies. From 1997 to 2001, he was the accounting services manager of Yantian International Container Terminal Company Limited (鹽田國際集裝箱碼頭有限公司). From 2001 to 2003, Mr. LIU was the financial controller of Shenzhen Schlumberger Electronic System Solution Co., Ltd. (深圳斯倫貝謝電子系統有限公司). From March 2007 to July 2007, Mr. LIU was the China financial controller of the China Light & Power Group renewable energy division. From December 2007 to February 2010, Mr. LIU was the corporate controller of AnyDATA Group in the Great China, and was responsible for financial management, accounts audit, tax planning, raising capital and preparation of financial accounts in accordance with accounting standards in PRC, U.S. and Hong Kong. He has been a member of the Association of Chartered Certified Accountants since 1997 and a registered tax agent since 1999. Mr. LIU graduated from Zhongshan University's faculty of physics with a major in modern physics technology in July 1990. He obtained a master's degree in business administration from University of Glamorgan in the United Kingdom in December 2004.

NON-EXECUTIVE DIRECTORS

JIANG Feng (姜峰), aged 59, was appointed as a non-executive Director on 1 April 2014. Mr. JIANG is currently vice president of China Association for Medical Devices Industry, chairman of China Strategic Alliance of Medical Devices Innovation, deputy director of Biomedical Engineering Education Steering Committee of the Ministry of Education (教育部生物醫學工程專業教育指導委員會), chairman of TC94 sub committee of National Standards Technical Committee (國家標準技術委員會). Mr. JIANG had been working as a clinician for 12 years before he left the hospital in 1997 to establish his own business. For his outstanding achievements, Mr. JIANG was considered to be special talent by SASAC and was chosen to be a leader of national large medicine and device companies for a long term, including as chairman and general manager of China National Pharmaceutical Group Corporation North West Company and China National Medical Equipment Co., Ltd.. During that period he was in charge of or participated in restructuring, mergers and acquisitions and transformation for listing of nearly 40 relevant companies. Mr. JIANG had been serving as a general manager of China National Medical Equipment Co., Ltd for 9 years, during which he accomplished the substantial transformation of the enterprise from exhibition business to production and operation of device by establishing China's first Sino-foreign joint venture medical device distribution company and making it the largest domestic medical device distributor within 5 years. He had been president and standing vice president of China Association for Medical Devices Industry for 19 years, during which he visited and evaluated over a thousand of member enterprises. For around 12 years while being a chairman of China Strategic Alliance of Medical Devices Innovation, he assisted the science and technology department and local science and technology bureaus in assessing subjects of hundreds of medical device projects and conducting subsequent management. Benefiting from his extensive work experience in the industry, Mr. JIANG is expert at the operation and management of medical companies and understands development trend of the industry, in particular, he has made experience in industrial innovation and international marketing. Since December 2013, Mr. JIANG was appointed as an independent non-executive director of Guangdong Baihe Medical Technology Co., Ltd. (廣東百合醫療科技有限公司). Since 8 November 2016, Mr. JIANG was appointed as an independent non-executive director of Hangzhou Kangji Medical Instrument Co., Ltd. for a term of three years. Since January 2022, Mr. JIANG was appointed as an independent director of Eyebright Medical Technology (Beijing) Inc. for a term of three years. Mr. JIANG graduated from the Fourth Military Medical University with a bachelor degree in medicine in 1985 and obtained his doctoral degree of clinical surgery in 1995 from the Fourth Military Medical University. He obtained an EMBA degree from Tsinghua University in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph (梁顯治), aged 67, was appointed as an independent non-executive Director with effect from 22 October 2011. Mr. LIANG has extensive experience in finance and accounting. From November 1993 to August 2001, Mr. LIANG served as the finance manager at Hong Kong International Terminals Limited for Yantian International Container Terminals, both being container terminal companies managed by the Hutchison Port Holdings Trust. From August 2001 to October 2005, Mr. LIANG held various positions at Skyworth Digital Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 751), including the group's financial controller and company secretary in charge of finance and MIS functions of the Group. From October 2005 to December 2008, Mr. LIANG was a director at Shenzhen Alclear Consulting Limited, a company engaging in financial, corporate management and investment consultancy services, and was responsible for developing accounting training in China. From October 2009 to September 2011, Mr. LIANG was the managing director of the financial planning and development department at United International College ("UIC") in Zhuhai, PRC, and was responsible for serving financial advisory and human resources management functions. From October 2011 to September 2012, Mr. LIANG served as special consultant on campus development at UIC. He was the executive vice president of Finance of TWS Industrial (Holdings) Ltd. since October 2011, a private company engaged in battery production. He later worked as consultant in it from August 2013 to December 2013. He returned to full time teaching as an associate professor at UIC in September 2013. Mr. LIANG graduated from Hong Kong Open University with a bachelor's degree in language and translation in December 2007. Mr. LIANG obtained a master's degree in professional accounting from University of Texas, Austin in May 1981 and a diploma in business management from Hong Kong Baptist College in December 1977. Mr. LIANG has been a member of the Texas Society of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants (formerly known as "Hong Kong Society of Accountants") since June 1982 and Association of Certified Chartered Accountants (ACCA) since May 1982. On 19 February 2013, Mr. LIANG was appointed as an independent non-executive director of North Asia Strategic Holding Limited, a company listed on GEM (Stock Code: 8080) for a term of three years. He was re-appointed as an independent non-executive director of North Asia Strategic Holding Limited for another three years commencing 19 February 2016. Mr. LIANG was also appointed on 6 June 2014 for a one year term as an independent non-executive director of China Animal Healthcare Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 940). On 26 June 2015, Mr. LIANG ceased to be an independent non-executive director of China Animal Healthcare Limited.

WANG Wansong (王皖松), aged 52, was appointed as an independent non-executive Director on 29 January 2016. Mr. WANG is currently the director of Shenzhen YUTO Foundation (深圳市裕同公益基金會) and has been engaged in high-tech industry development planning and policy research for a long time, he has an extensive experience in development planning and policies research for the High-Tech industry in Shenzhen, as well as in technological innovation, achievements transformation for bio-pharmaceutical industry and medical device industry. From 1997 to 2014, Mr. WANG worked at Development and Reform sectors of Shenzhen Government. From 2014 to 2018, Mr. WANG has been appointed as a senior researcher at the State High-Tech Industrial Innovation Center in Shenzhen (深圳市國家高技術產業創新中心). Mr. WANG holds a bachelor degree in Biology from the Peking University.

ZHOU Luming (周路明), aged 63, was appointed as an independent non-executive Director with effect from 1 April 2014. Mr. ZHOU is currently the president of Shenzhen CRI Innovation Center (深圳市源創力離岸創新中心) and the chairman of Shenzhen CRI Qingyuan Investment Management Co., Ltd. (深圳市源創力清源投資管理有限公司). He was a teacher in South-Central University for Nationalities from July 1984 to May 1992. During that period, his professional article Systems Science (系統科學) was published with release of certain papers. From May 1992 to September 2001, he worked in Shenzhen Technology Bureau (深圳市科技局) as the head of the compliance division, director of general office and head of the planning division, taking charge of the establishment of a series of major legislations and research on decision-making work. Mr. ZHOU acted as deputy dean of Research Institute of Tsinghua University in Shenzhen from September 2001 to May 2004. He was deputy director of Shenzhen Technology Bureau from May 2004 to May 2008. During the period from 2005 to 2008, Mr. ZHOU presided over series of study on innovative cities. From 2008 to March 2014, when he served as chairman of Shenzhen Science and Technology Association, he established a great number of private-funded research institutes with international advanced level, which involved metamaterial, new energy and precise manufacturing. His experience in directing the restructuring of Shenzhen Science and Technology Association was highly appreciated by major leaders of China Association of Science and Technology with promotion in the system of the association of science and technology. Mr. ZHOU graduated from the Faculty of Physics of Central China Normal University in 1984, and obtained his EMBA degree after graduating from Tsinghua University in 2005.

SENIOR MANAGEMENT

XIE Yuehui (謝粵輝): Please refer to the section headed "Directors — Executive Directors" above for the details of his biography.

LIU Jianxiong (劉劍雄): Please refer to the section headed "Directors — Executive Directors" above for the details of his biography.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles of corporate governance and applied the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance and confirms that it has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2021, save for a deviation from code provision A.2.1 of the CG Code as Mr. XIE Yuehui served as both the Chairman of the Board and the Chief Executive Officer. Details are set out in the section headed "Chairman and Chief Executive Officer" below. The Company is committed to making necessary arrangements to comply with all the code provisions.

On 1 January 2022, the amendments to the Corporate Governance Code (the "New CG Code") came into effect and the requirements under the New CG Code will apply to corporate governance reports for the financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code, align with the latest developments, and meet the rising expectations of shareholders and investors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules.

Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company during the year ended 31 December 2021. Details of the shareholding interests held by the Directors as at 31 December 2021 are set out on page 44 of this annual report.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2021.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors, and changes to the Board members during 2021 and up to the date of this annual report are as follows:

Executive Directors

XIE Yuehui *(Chairman and Chief Executive Officer)*
LIU Jianxiong *(Executive Vice President, Chief Financial Officer and Company Secretary)*

Non-executive Directors

JIANG Feng
FU Feng (resigned on 19 April 2021)

Independent Non-executive Directors
LIANG Hsien Tse Joseph
WANG Wansong
ZHOU Luming

No member of the Board shares any relationship (including financial, business, family or other material or relevant relationships) with another member of the Board.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

The Company is governed by the Board, which is responsible for overseeing the overall strategy and development of the Company, monitoring the internal control policies, evaluating the financial performance of the Group and approving the Group's annual budget, business plans, major investments and funding decisions. The Board supervises the management of the business and the affairs of the Group and sets the overall strategies and directions for the Group with a view of developing its business and enhancing shareholders' value. The Group has adopted internal guidelines which set forth matters that require the Board's approval. Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The Board delegates day-to-day activities to the management with department heads responsible for different aspects of the business. Management is required to present an annual budget and any proposal for major investments and changes in business strategies for the Board's approval. The non-executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group through their contributions in Board meetings. They are also serving on the audit committee, the remuneration committee and the nomination committee of the Company.

During the year ended 31 December 2021, the Board complied at all times with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual confirmation of his independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Board considers that each of the independent non-executive Directors remains independent in compliance with the Listing Rules as at the date of this annual report. As Mr. LIANG Hsien Tse Joseph has served the Company as an independent non-executive Director for more than nine years, pursuant to code provision B.2.3 of the CG Code his re-election and appointment is subject to a separate resolution to be approved by the shareholders of the Company at the forthcoming annual general meeting ("AGM") of the Company on 27 May 2022.

The Board meets regularly and as warranted by particular circumstances. During the year ended 31 December 2021, the Board had held six meetings for, amongst other things, reviewing and approving the financial and operating performance of the Group.

The attendance record of each member of the Board is set out below:

Name of Directors	Board Meeting	AGM	EGM
EXECUTIVE DIRECTORS			
XIE Yuehui *(Chairman and Chief Executive Officer)*	6/6	1/1	1/1
LIU Jianxiong *(Executive Vice President, Chief Financial Officer and Company Secretary)*	6/6	1/1	1/1
NON-EXECUTIVE DIRECTORS			
JIANG Feng	6/6	1/1	1/1
FU Feng (resigned on 19 April 2021)	3/3	N/A	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS			
LIANG Hsien Tse Joseph	6/6	1/1	1/1
WANG Wansong	6/6	1/1	1/1
ZHOU Luming	5[1]/6	1/1	1/1

1. Out of the six Board meetings held during the year ended 31 December 2021, one Board meeting was attended by proxy hence it was not counted as attendance by the Director himself.

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings to give all Directors an opportunity to attend.

For regular Board and committee meetings, all agendas, board papers, together with all applicable, complete and reliable information will be sent to all Directors or committees at least three days before a meeting is held. All Directors may propose any business to be included in the agenda of the Board or committee meetings and contact Company Secretary to ensure full compliance with all of the Board's procedures and applicable regulations.

In general, the senior management members shall attend all the regular Board meetings and, if necessary, other Board and committee meetings to advise on the Company's business development, financial and accounting matters, statutory and regulatory compliance, corporate governance as well as other significant issues. The Board may, if appropriate, authorise the Directors to seek independent and professional advice at the expense of the Company. Matters discussed and resolved at Board meetings will be recorded in detail by the Company Secretary who shall prepare and file the minutes or resolutions. Generally, draft minutes of Board meeting shall be issued to the Directors within reasonable time for their comments after such meeting is held, and the final version will be open for inspections by the Directors.

The articles of association of the Company (the "Articles of Association") contain provision requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or their associates have a material interest and this provision has always been complied with.

Continuous Professional Development for Directors

Pursuant to A.6.5 of the CG Code, all Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2021, the Directors participated in a training related to the corporate governance and Listing Rules organised by the Company's Hong Kong legal advisor, and the Company has kept the relevant training records.

During the year ended 31 December 2021, the Directors participated in the following training:

Name of Directors	Participated in continuous professional development[1]
Executive Directors:	
XIE Yuehui *(Chairman and Chief Executive Officer)*	√
LIU Jianxiong *(Executive Vice President, Chief Financial Officer and Company Secretary)*	√
Non-executive Directors:	
JIANG Feng	√
FU Feng (resigned on 19 April 2021)	N/A
Independent non-executive Directors:	
LIANG Hsien Tse Joseph	√
WANG Wansong	√
ZHOU Luming	√

1. The training was a seminar with appropriate emphasis on the roles, functions and duties of a director of a listed company.

The Directors confirmed that they have complied with A.6.5 of the CG Code on Directors' training.

Corporate Governance Functions

The Board is responsible for performing the functions set out in D.3.1 of the CG Code. For the year ended 31 December 2021, the Company complied with code provision D.3.1 of the CG Code. During the year ended 31 December 2021, the Board met once to review and monitor the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, code of conduct applicable to the Directors and employees, the compliance with the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code which provides that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual. Since March 2015, Mr. XIE Yuehui, Chairman of the Board and an executive Director, was appointed to act as the Chief Executive Officer, and thereafter the roles of the Chairman of the Board and the Chief Executive Officer have been performed by the same individual.

Although the dual roles of Chairman and Chief Executive Officer is a deviation from the code provision A.2.1 of the CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. XIE Yuehui provides the Company with strong and consistent leadership while allowing effective and efficient planning and implementation of business decisions and strategies.

Under the leadership of Mr. XIE Yuehui, the Board is responsible for the approval and supervision of the Group's general development strategy, the sanction of the annual budget and business plans, the approval of major investments and funding decisions related to the Group's business development, the evaluation of the Group's performance and the supervision of the work of the management, and ensures that the Board acts in the best interests of the Group, operates effectively and performs the necessary duties, as well as discuss all the significant and appropriate issues of the Company's business in a timely manner. All the Directors are entitled to propose the inclusion of any item in the agenda of the Board meeting for appropriate discussion. The Chairman will ensure all the Directors are provided with sufficient and reliable information in a timely manner required for necessary analysis based on their expertise.

As the Chief Executive Officer of the Company, Mr. XIE Yuehui has delegated sufficient authority for the operation and management of the Group's business to the senior management members, who shall be in-charge of the daily management of the Group in every aspect, including the consistent implementation of the Board's resolutions, and be accountable to the Chief Executive Officer for the operations of various aspects of the Group's business, while the Chief Executive Officer shall be accountable to the Board for the Group's operations as a whole.

Non-executive Directors and independent non-executive Directors

Code provision A.4.1 provides that non-executive Directors should be appointed for a specific term and subject to re-election. The Company's non-executive Directors and independent non-executive Directors have been appointed for a term of three years. All of the Company's non-executive Directors and independent non-executive Directors in position as at 31 December 2021 are subject to re-election.

COMMITTEES

As part of the corporate governance practices, the Board has established an audit committee, a remuneration committee and a nomination committee. The majority of committees are composed of non-executive Directors and independent non-executive Directors with terms of reference in accordance with the principles set out in the CG Code.

Audit Committee

The Board established the Audit Committee in accordance with code provision C.3.3 of the CG Code.

As at the date of this annual report, the Audit Committee is in compliance with Rules 3.21 to 3.23 of the Listing Rules and consists of three members, all of whom are independent non-executive Directors, namely, Mr. LIANG Hsien Tse Joseph, with appropriate professional qualifications who serves as the chairman of the Audit Committee, Mr. ZHOU Luming and Mr. WANG Wansong. The Board will ensure that the members of the Audit Committee are appropriately qualified to discharge their responsibilities and at least one member has accounting and related financial management expertise or experience.

The terms of reference of the Audit Committee sets out its duties, authorities and responsibilities as delegated by the Board. Its primary duties pursuant to the terms of reference include:

(i) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;

(ii) reviewing and monitoring the external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards;

(iii) discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(iv) monitoring the integrity of the Company's financial statements, the annual and half-yearly report and results and reviewing significant financial reporting judgements contained therein, in particular any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from audit, compliance with accounting standards and compliance with the Listing Rules and legal requirements in relation to financial reporting;

(v) considering any significant or unusual items that are, or may need to be, reflected in the report and accounts;

(vi) reviewing the Company's internal audit functions, financial controls, risk management and internal control systems;

(vii) discussing the risk management and internal control systems with management;

(viii) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and

(ix) reviewing the Group's financial and accounting policies and practices.

The Audit Committee assists the Board to fulfil its oversight role over the Group's risk management and internal control functions by reviewing and evaluating the effectiveness of our overall risk management and internal control systems at least annually. The Audit Committee reviewed the risk management and internal control systems and accounting system of the Group to ensure that such systems are appropriate and effective to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with management's authorisation, accounting records are reliable for preparing financial information and ensuring the business operations are in accordance with relevant legislation, regulations and internal guidelines. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has adopted internal policy and procedures which strictly prohibit unauthorised use of inside information and the Company has endeavored to ensure that all members of staff are aware of such policy and procedures.

During the year ended 31 December 2021, the Audit Committee held two meetings and performed the following duties:

(i) reviewed the scope of audit work to be performed by the external auditor, Deloitte Touche Tohmatsu, and met with the external auditor;

(ii) reviewed, discussed and commented on the Company's annual financial results and report in respect of the year ended 31 December 2020 and the interim financial results and report for the six months ended 30 June 2021 and the Group's financial and accounting policies and practices;

(iii) discussed matters with respect to the accounting policies and practices adopted by the Company with senior management members of the Company and the external auditor;

(iv) reviewed and commented on the Group's internal audit functions, internal control measures, financial control and reporting systems and risk management systems; and

(v) discussed and made recommendations on the re-appointment of the external auditors and made assessment of the performance of the external auditors.

The particulars of the attendance of the Audit Committee are set forth as follows:

Name of the members of the Audit Committee	Number of meetings attended/ convened
Chairman:	
Mr. LIANG Hsien Tse Joseph	2/2
Members:	
Mr. ZHOU Luming	2/2
Mr. WANG Wansong	2/2

The Group's annual audited results for the year ended 31 December 2021 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Remuneration Committee

The Board established the Remuneration Committee in accordance with code provision B.1.2 of the CG Code. As at the date of this annual report, the Remuneration Committee is in compliance with Rules 3.25 to 3.27 of the Listing Rules and consists of three members, the majority of whom are independent non-executive Directors. Mr. WANG Wansong, an independent non-executive Director, serves as the chairman of the Remuneration Committee while Mr. LIANG Hsien Tse Joseph, an independent non-executive Director, and Mr. XIE Yuehui, an executive Director, serve as members of the Remuneration Committee.

The terms of reference of the Remuneration Committee sets out its duties, authorities and responsibilities as delegated by the Board. Its primary duties pursuant to the terms of reference include:

(i) making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies;

(ii) determining, with delegated responsibility, the remuneration packages, including, where appropriate, benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, of individual executive Directors and members of the senior management;

(iii) reviewing and approving the management's remuneration proposals with reference to corporate goals and objectives resolved by the Directors from time to time;

(iv) making recommendations to the Board on the remuneration of non-executive Directors (including independent non-executive Directors); and

(v) considering the grant of share-based compensation to eligible participants pursuant to the share option scheme and share award scheme adopted by the Company.

The Remuneration Committee held four meetings during the year ended 31 December 2021, to, amongst other things, consider the remuneration policy, assess the performance of the executive Directors, approve the terms of Mr. LIU Jianxiong's service contract and the grants of share options or awards under the share option scheme or share award scheme adopted by the Company. The particulars of the attendance of the Remuneration Committee are set forth as follows:

Name of the members of the Remuneration Committee	Number of meetings attended/ convened
Chairman:	
Mr. WANG Wansong	4/4
Members:	
Mr. LIANG Hsien Tse Joseph	4/4
Mr. XIE Yuehui	4/4

Nomination Committee

The Board established the Nomination Committee in accordance with code provision A.5.2 of the CG Code. As at the date of this annual report, the Nomination Committee consists of three members, the majority of whom are independent non-executive Directors, namely Mr. ZHOU Luming, an independent non-executive Director, who serves as the chairman of the Nomination Committee, Mr. XIE Yuehui, an executive Director, and Mr. LIANG Hsien Tse Joseph, an independent non-executive Director, serve as members of the Nomination Committee.

The terms of reference of the Nomination Committee set out its duties, authorities and responsibilities as delegated by the Board. Its primary functions pursuant to the terms of reference include:

(i) reviewing the structure, size and diversity of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merits and against objective criteria with due regard for the benefits of diversity on the Board;

(iii) assessing the independence of independent non-executive Directors;

(iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future; and

(v) reviewing the Board Diversity Policy and the progress on achieving the objectives for implementing the Board Diversity Policy.

The Board adopted a board diversity policy in accordance with the CG Code. The Company recognises the benefits of having a diverse Board, and considers diversity at Board level essential in achieving a sustainable and balanced development. When recommending suitable candidates to the Board, the Nomination Committee will take merits of the candidates into consideration, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The Company expects to appoint a director of different gender from the existing Board no later than 31 December 2024 in accordance with the CG Code.

The Nomination Committee held one meeting during the year ended 31 December 2021 with reference to the policy for the nomination of Directors and the nomination procedure, process and criteria to select and recommend candidates for directorship, identify and make recommendations to the Board on the selection of individuals nominated for directorship, and considered the qualifications of the retiring Directors standing for re-election at the AGM. The Nomination Committee reviewed the structure, size and composition of the Board to ensure it has an appropriate balance of skills, expertise and experience. Also, the Nomination Committee resolved that (i) the structure of the Board to be recommended to the Board for approval; (ii) the independence of the independent non-executive Director to be recommended to the Board for approval; and (iii) nomination of the directors for re-election at the forthcoming AGM and to be recommended to the Board for approval. The particulars of the attendance of the Nomination Committee are set forth as follows:

Name of the members of the Nomination Committee	Number of meetings attended/ convened
Chairman:	
Mr. ZHOU Luming	1/1
Members:	
Mr. XIE Yuehui	1/1
Mr. LIANG Hsien Tse Joseph	1/1

The Nomination Committee has declared the interest of the members of the board, review the structure, size and composition of the board, assess the independence of independent non-executive directors, nominate directors to be re-elected at the forthcoming AGM and review the nomination policy, including nomination procedure and recommendation criteria.

REMUNERATION OF EXTERNAL AUDITOR

For the year ended 31 December 2021, the Group's external auditor, Deloitte Touche Tohmatsu, provided annual audit service and non-audit service to the Group, the total fees paid/payable in respect of annual audit service and non-audit service was approximately RMB2.2 million and RMB0.1 million. The non-audit service performed by Deloitte Touche Tohmatsu was related to tax consultation.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditor. Such appointments, re-appointments and removals are subject to the approval of the Board and shareholders at the general meetings of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective risk management and internal control systems in order to safeguard the interests of the shareholders and the assets of the Company against unauthorised use or disposition, ensuring the maintenance of proper accounting books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Group has a system of internal controls conducted by internal control personnel in place, the key elements of which are as follows:

- formal policies and procedures are in place, including having proper procedures and rules relating to the delegation of authorities and use of Group's assets;
- qualified staff members are responsible for important business functions and such staff members are subject to annual appraisal procedures;
- monthly business and financial reports are prepared to provide management with relevant, timely and reliable financial and other information about the Group;
- establishing an effective incentive and restraint mechanism and risk prevention awareness, cultivates a good corporate spirit and internal control culture, and mobilises employees' enthusiasm to create an environment where all employees fully understand and perform their duties.

The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the issuer's risk management and internal control systems, resolves material internal control defects and reports their findings to the Board.

During the year ended 31 December 2021, the Board has conducted a review on the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls, and discussed relevant proposals made by senior management in order to ensure adequate and effective systems of risk management and internal control. The Board will continue to conduct such review at least once a year and continue to assess the effectiveness of risk management and internal controls by considering reviews presented by the Audit Committee, executive management and the internal compliance coordinators of the Company. The Board is satisfied that, based on the information supplied, coupled with its own observations and with the assistance of the Audit Committee, the present internal controls and risk management processes are satisfactory, effective and adequate for the nature and size of the Group's operations and business.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2021, which give a true and fair view of the results and financial position of the Group. The Directors consider that in preparing financial statements, the Group ensures to meet statutory requirements, applies appropriate policies that are consistently adopted as well as makes judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

The Directors are responsible for ensuring that accounting records are kept properly so that the Group could prepare financial statements in accordance with statutory requirements and the Group's accounting policies. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities within the Group.

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

The statement of the independent auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company and the Group is set out in the Independent Auditors' Report on pages 59 to 63 of this annual report.

COMPANY SECRETARY

Mr. LIU Jianxiong was appointed as the Company Secretary of the Company on 22 October 2011. Mr. LIU has over 29 years of experience in the accounting field. During the year ended 31 December 2021, Mr. LIU undertook not less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules to update his skills and knowledge in corporate governance and compliance issues. The biographical information of Mr. LIU is set out in the "Biographical Details of Directors and Senior Management" section on page 19 of this annual report.

SHAREHOLDERS' RIGHTS

Pursuant to article 12.3 of the Articles of Association, an EGM shall be convened on written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist holds as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

There is no provision allowing shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law or the Articles of Association. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

In relation to the proposal of a person for election as a Director, please refer to the procedures available on the website of the Company at www.lifetechmed.com.

Shareholders may at any time send their enquiries or proposals to the Company for putting forward such enquiries and concerns to the Board. Contact details are as follows:

Address: 31/F, 148 Electric Road, North Point, Hong Kong

Fax: +86 755 86026251

Email: sa@lifetechmed.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to the shareholders of the Company and investors.

Besides, the Board maintains regular dialogues with institutional investors and analysts to keep the Shareholders and investors timely informed of the Group's strategy, operations, management and plans. The Directors and members of the various Board committees would attend and answer questions raised at the AGM, and significant issues will be put as separate proposed resolutions. The Company encourages the Shareholders to attend the AGM and other general meetings to communicate their views and concerns to the Board directly to ensure a high level of accountability.

The Company updates its shareholders on its latest business developments and financial performance through its annual and interim reports and notices, announcements and circulars. The website of the Company (www.lifetechmed.com) provides a communication platform to the public and the shareholders. In March 2012, the Board has also established a written shareholders' communication policy and will review it on a regular basis to ensure its effectiveness.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, the Company has not made any changes to its Memorandum and Articles of Association.

AGM

The Company's AGM is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. It has been the practice for all the Directors (including the Chairman) and the chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee or, in their absence, other members of the respective committee together with the external auditor of the Company to attend the AGM to answer shareholders' questions.

The last AGM of the Company was held on Friday, 28 May 2021, please refer to the Company's circular and announcement dated 19 April 2021 and 28 May 2021, respectively, for details of the meeting, major items discussed and the voting particulars. The next AGM of the Company will be held on Friday, 27 May 2022.

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company while its subsidiaries are principally engaged in the developing, manufacturing and marketing of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. For further details on the principal activities of its subsidiaries, please refer to note 41 to the consolidated financial statements.

Details of the activities during the year ended 31 December 2021 as required by Schedule 5 to the Companies Ordinance, including a description of the principal risks and uncertainties faced by the Group, an indication of likely future development in the Group's business, and the Group's environmental policies and performance, as well as compliance with relevant laws and regulations which have a significant impact on the Company, are set out under the section "Management Discussion and Analysis" on pages 7 to 18 of this annual report.

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year ended 31 December 2021 and the material factors underlying its results and financial position are provided in the sections headed "Management Discussion and Analysis" respectively on pages 7 to 18 of this annual report. Description of the principal risks and uncertainties faced by the Company can be found throughout this annual report, particularly in the section "Management Discussion and Analysis" on pages 7 to 18 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the 2021, if any, can also be found in the above-mentioned sections and the Notes to the consolidated financial statements. The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement from pages 5 to 6 of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2021 and the state of affairs of the Group at that date are set out in the consolidated financial statements.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the financial summary on page 4 of this annual report. The summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, approximately 30.5% of revenue from the Group's total sales of goods were attributable to the Group's five largest customers combined, while approximately 8.8% of revenue from the Group's total sales of goods were attributable to the largest customer.

During the year ended 31 December 2021, the percentage of purchases attributable to the Group's largest supplier and the five largest suppliers combined were 14.7% and 46.1%, respectively.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest customers or suppliers of the Group.

SHARE CAPITAL

Details of the movements in share capital of the Company and details of the shares issued during the year ended 31 December 2021 are set out in note 31 to the consolidated financial statements.

THE 2020 PLACING

On 11 December 2020, the Company completed a placing of an aggregate of 287,320,000 new ordinary shares of the Company, with an aggregate nominal value of USD359.15, at a placing price of HKD3.2368 per share pursuant to a placing agreement dated 4 December 2020 (the "2020 Placing").

Pursuant to the 2020 Placing, an aggregate of 287,320,000 new ordinary shares, representing approximately 6.21% of the issued share capital of the Company as enlarged by the allotment and issue of the new shares immediately after the completion of the 2020 Placing, have been successfully placed to not less than six placees who and whose ultimate beneficial owner(s), to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are independent of the Company. None of the placees and their respective ultimate beneficial owners has become a substantial shareholder (as defined under the Listing Rules) of the Company as a result of the placing.

The placing price of HKD3.2368 per placing share represents:

(i) a discount of approximately 11.6% to the closing price of HKD3.660 per share of the Company as quoted on the Stock Exchange on 3 December 2020, being the trading day prior to the date of the placing agreement;

(ii) a discount of approximately 9.3% to the average closing price of approximately HKD3.570 per share of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the placing agreement; and

(iii) a discount of approximately 2.3% to the average closing price of approximately HKD3.313 per share of the Company as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the placing agreement.

The net placing price (after deducting the costs and expenses incurred for the 2020 Placing) was approximately HKD3.2366 per placing share. The net proceeds raised from the 2020 Placing were approximately HKD930.0 million. As at 31 December 2021, the usage of the proceeds from the 2020 Placing was as follows:

Intended use of proceeds	Approximate Allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2021 (HKD in million)	Approximate Amount of net proceeds unutilised as at 31 December 2021 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Repayment of certain bank borrowings of the Group	406.0	406.0	—	Fully utilised
Funding potential business development involving a new overseas clinical project	465.0	16.2	448.8	To be applied in 2022 (HKD178.8 million) and 2023 (HKD270.0 million) subject to adjustments (if any)
General working capital of the Group	59.0	59.0	—	Fully utilised
Total	**930.0**	**481.2**	**448.8**	

Approximately HKD481.2 million of the net proceeds of the 2020 Placing had been utilised in accordance with the intended use of proceeds. There has been no change in the intended use of net proceeds. The unutilised net proceeds would be brought forward to the next financial year and will be gradually utilised in accordance with the above intended purposes.

The Directors consider that the 2020 Placing represented an opportunity to raise capital while broadening its capital and shareholder base. The Directors were of the view that the 2020 Placing would strengthen the financial position of the Company and provide working capital to the Company.

For further details, please refer to the Company's announcements dated 4 December 2020 and 11 December 2020.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has adopted the principles of corporate governance and complied with the code provisions in the CG Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021, save for the deviation from A.2.1 of the CG Code that both the roles of Chairman of the Board and the Chief Executive Officer were served by the same individual. For further information on the Group's corporate governance practices during the year, please refer to the Corporate Governance Report in this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution to its owners of the Company amounted to approximately RMB1,068.0 million (2020: approximately RMB1,114.5 million).

Details of movements in the reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 14 to the consolidated financial statements in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, at least 25% of the Company's total issued share capital was held by the public in compliance with the public float requirement under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

During the year of 2021, other than the service contracts or appointment letters of the Directors, the Company has not entered into any contract with any individuals, firms or corporate entities which has undertaken the management and administration of the whole or any substantial part of any business of the Company.

DIRECTORS

The Directors during the year and up to the date of this Directors' report are as follows:

Executive Directors

XIE Yuehui *(Chairman and Chief Executive Officer)*
LIU Jianxiong *(Executive Vice President, Chief Financial Officer and Company Secretary)*

Non-executive Directors

JIANG Feng
FU Feng (resigned on 19 April 2021)

Independent Non-executive Directors

LIANG Hsien Tse Joseph
WANG Wansong
ZHOU Luming

Pursuant to the Articles of Association and code provision A.4.2 of the CG Code, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM of the Company, provided that every Director shall be subject to retirement at an AGM at least once every three years. All Directors in office at the beginning of the forthcoming AGM will retire and, being eligible, offer themselves for re-election at such AGM.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical information of the Directors and senior management of the Group are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTOR'S SERVICE CONTRACTS OR APPOINTMENT LETTERS

Mr. XIE Yuehui, an executive Director, Chairman of the Board and Chief Executive Officer, has signed a service contract with the Company for an initial term of three years commencing from 10 November 2011, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party forthcoming not less than three months' notice in writing. On 10 November 2014, 10 November 2017, Mr. XIE Yuehui and the Company renewed the service contract which is subject to manual renewal every three years. On 10 November 2020, Mr. XIE Yuehui and the Company further renewed the service contract which is subject to manual renewal every three years.

Mr. LIU Jianxiong has been appointed as an executive Director and entered into a service contract with the Company for an initial term of three years commencing from 27 March 2015 until terminated by either party giving to the other party not less than three months' notice in writing. On 27 March 2018, Mr. LIU Jianxiong and the Company renewed the service contract which is subject to manual renewal every three years. On 27 March 2021, Mr. LIU Jianxiong and the Company further renewed the service contract which is subject to manual renewal every three years.

Mr. JIANG Feng has been appointed as a non-executive Director and entered into a service contract with the Company for an initial term of three years commencing from 1 April 2014, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing. On 1 April 2017 and 26 April 2019, Mr. JIANG Feng and the Company renewed the appointment letter which is subject to manual renewal every three years.

Mr. FU Feng has been appointed as a non-executive Director and entered into an appointment letter with the Company for an initial term of three years commencing from 28 August 2019. Since Mr. FU Feng has resigned as a non-executive Director of the Company on 19 April 2021, his appointment letter was terminated accordingly.

Mr. LIANG Hsien Tse Joseph has been appointed as an independent non-executive Director and entered into a service contract with the Company for an initial term of one year commencing from 10 November 2011, while Mr. ZHOU Luming has been appointed as an independent non-executive Director and entered into a service contract with the Company for an initial term of one year commencing from 1 April 2014, all of which are subject to automatic renewal on an annual basis on the same terms and conditions until terminated by either party giving to the other party not less than one month's notice in writing. On 10 November 2014, each of Mr. LIANG and Mr. ZHOU renewed the service contracts with the Company respectively which is subject to manual renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing. On 1 April 2017 and 26 April 2019, each of Mr. LIANG and Mr. ZHOU renewed the appointment letters with the Company respectively which is subject to manual renewal every three years.

Mr. WANG Wansong has been appointed as an independent non-executive Director and entered into an appointment letter with the Company for an initial term of three years commencing from 29 January 2016. On 1 April 2017 and 26 April 2019, Mr. WANG Wansong and the Company renewed the appointment letter which is subject to manual renewal every three years.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract or appointment letter with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

During the year ended 31 December 2021, the Remuneration Committee reviewed the Group's emolument policy and structure for all remunerations of the Directors and senior management of the Company, which are determined with reference to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as an incentive for directors and eligible employees. Details of the scheme are set out in the section headed "Share Option Scheme" below.

The emoluments of the executive Directors and senior management were determined by the Remuneration Committee, with delegated responsibility from the Board, after taking into account factors including the Group's operating results, individual performance, comparable market practices and their individual qualification, position and seniority. The remuneration of non-executive Directors (including independent non-executive Directors) is determined by the Board after considering recommendations from the Remuneration Committee. None of the Directors waived or agreed to waive any remuneration during the year ended 31 December 2021 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.

The Company has adopted a share option scheme as an incentive for the Directors and eligible employees. Details of the scheme are set out in the section headed "Share Option Scheme" below and note 33 to the consolidated financial statements.

The remunerations paid to the senior management of the Company, who are also executive Directors, during the year ended 31 December 2021 were within the following bands:

Bands	Number of senior management
RMB3,000,001 to RMB3,500,000	1
RMB14,000,001 to RMB14,500,000	1

Mr. XIE Yuehui, as a nominee for members of the Company's management team, as at 31 December 2021 was interested in 25% shareholding in Shenzhen LifeTech New Materials Technology Corporation LLP (a limited liability partnership) (深圳市先健新材料科技企業(有限合夥)) ("Shenzhen Lifetech New Materials"), which was interested in 4.46% shareholding in Biotyx Medical (Shenzhen) Co., Ltd. (元心科技(深圳)有限公司) ("Biotyx Medical"), a subsidiary of the Group. It is the Company's plan that the shares of Shenzhen Lifetech New Materials currently held by Mr. XIE Yuehui will eventually be distributed to the members of the Company's management team as a recognition by the Company of the contribution made by the Company's management team and to further incentivise the Company's management team in the future. The remaining 75% shareholding in Shenzhen LifeTech New Materials is held by employees of the Company. Shenzhen Lifetech New Materials is not engaged in any active business operations.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five individuals with the highest emoluments are set out in note 10 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation letter to confirm their compliance with the independence requirement under Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent in accordance with the guidelines set out in the Listing Rules.

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Directors/ chief executives	Nature of interest	Number of ordinary shares	Percentage of the Company's issued share capital
XIE Yuehui	Interest of controlled corporation and beneficial owner	801,514,928[1]	17.31%
LIU Jianxiong	Beneficial owner	24,940,000[2]	0.54%

1. These interests represented:

    (a) 781,914,928 shares held by Xianjian Advanced Technology Limited, which is wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director; and

    (b) 19,600,000 options granted to Mr. XIE Yuehui on 5 May 2015, which were subject to certain vesting conditions pursuant to the Previous Scheme (as defined under the section headed "Share Option Scheme"), details of which are set out in the section headed "Share Option Scheme" in this annual report.

2. These interests represented:

    (a) 8,140,000 shares held by Mr. LIU Jianxiong, our Executive Vice President, executive Director, Chief Financial Officer and company secretary; and

    (b) 16,800,000 options granted to Mr. LIU Jianxiong on 5 May 2015, which were subject to certain vesting conditions pursuant to the Previous Scheme, details of which are set out in the section headed "Share Option Scheme" in this annual report.

Save as disclosed above, as at 31 December 2021, so far as is known to any Directors or chief executives of the Company, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2021, other than the interests of a Director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests and short position in the shares, underlying shares and debentures of the Company and its associated corporations" above, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company, were as follows:

Long positions in shares of the Company

Name of shareholder	Number of shares	Capacity	Percentage of the Company's issued share capital
Xianjian Advanced Technology Limited (Note 1)	781,914,928	Beneficial owner	16.89%
Bank of Communications Trustee Limited	323,877,000	Beneficial owner	7.00%
HHLR Fund, L.P. (Note 2)	413,554,000	Beneficial owner	8.93%
HHLR Advisors, Ltd.	428,576,000	Investment manager	9.26%

Note 1: The entire issued share capital of Xianjian Advanced Technology Limited is wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director.

Note 2: HHLR Fund, L.P. is a limited partnership formed under the laws of the Cayman Islands. HHLR Advisors, Ltd. serves as the sole investment manager of HHLR Fund, L.P. and is deemed to be interested in the shares held by HHLR Fund, L.P. and other controlled entity under the SFO.

Save as disclosed above, as at 31 December 2021, the Directors have not been notified by any other person (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from the details as disclosed under the heading "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The previous share option scheme adopted by the Company on 22 October 2011 which was amended by a unanimous written resolution of the Board on 5 May 2015 (the "**Previous Scheme**") was terminated pursuant to an ordinary resolution passed by the shareholders at the EGM on 17 September 2021. A new share option scheme (the "**Share Option Scheme**") in place of the Previous Scheme was adopted by the Company with effect from 17 September 2021 which has a term of 10 years.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to the Share Option Scheme Eligible Participants (as defined below) as incentives or rewards for their contribution to the growth of our Group and to provide our Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Share Option Scheme Eligible Participants.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may at its discretion grant options to any full-time or part-time employees, Directors (including executive, non-executive or independent non-executive),any consultants or advisers (whether professional or otherwise), supplier, service provider, customer, business partner, shareholder, any person or entity that provides design, R&D or other technological support and any other group or classes of participants who have contributed or may contribute to the development and growth of our Company and/or any entity in which our Company holds an equity interest (collectively the "Share Option Scheme Eligible Participants").

3. Maximum number of shares

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group is 462,929,240, being not more than 10% of the issued share capital of our Company as at 17 September 2021, adoption date of the Share Option Scheme. Any options lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of our Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

As at the date of this annual report, the maximum number of further share options that may be granted under the Share Option Scheme was 326,129,240, representing approximately 7.04% of the number of total issued shares of the Company. No further share options may be granted under the Previous Scheme.

4. **Maximum entitlement of each participant**

Unless approved by the shareholders in the manner set out in the Share Option Scheme, the total number of shares issued and to be issued upon exercise of the options granted to each Share Option Scheme Eligible Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company.

5. **Offer period and amount payable for options**

An offer of grant of an option shall remain open for acceptance by the Share Option Scheme Eligible Participant concerned for such period as determined by the Board, which period shall not be more than fourteen (14) days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of 17 September 2021 or after the Share Option Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HKD1.00 to our Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price.

6. **Minimum period for which an option must be held before it can be exercised**

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, the Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such options can be exercised as the Board may determine in its absolute discretion.

7. **Basis of determining the subscription price**

The subscription price for shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board shall determine, provided that such price shall be at least the highest of:

(i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option;

(ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the date of offer of the option; and

(iii) the nominal value of a share.

8. **Remaining Life of the Share Option Scheme**

Subject to the fulfilment of the conditions of the Share Option Scheme and the earlier termination by shareholders' resolution in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from 17 September 2021, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

The table below sets out details of the outstanding options granted to the Directors and other grantees under the Previous Scheme and movements during the period from 1 January 2021 to 31 December 2021:

					Number of shares					
Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Outstanding as at 1 January 2021	Exercised during the year ended 31 December 2021	Closing price (weighted average) of the shares of the Company immediately before the dates on which the options were exercised	Cancelled/ Lapsed during the year ended 31 December 2021	Outstanding as at 31 December 2021
Directors/Chief Executives										
Mr. XIE Yuehui	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020, respectively	10 years from the date of grant	HKD1.464	19,600,000	19,600,000	–	–	–	19,600,000
Sub-total					19,600,000	19,600,000	–	–	–	19,600,000
Mr. LIU Jianxiong	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020, respectively	10 years from the date of grant	HKD1.464	16,800,000	16,800,000	–	–	–	16,800,000
Sub-total					16,800,000	16,800,000	–	–	–	16,800,000

Name	Date of grant	Vesting schedule	Option period	Exercise price	Number of shares					
					Granted on the date of grant	Outstanding as at 1 January 2021	Exercised during the year ended 31 December 2021	Closing price (weighted average) of the shares of the Company immediately before the dates on which the options were exercised	Cancelled/ Lapsed during the year ended 31 December 2021	Outstanding as at 31 December 2021
Other Grantees										
Employees	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HKD1.464	123,600,000	36,821,600 (Note 1)	(3,032,000)	HKD4.829	–	33,789,600 (Note 2)
Employees	31 March 2021 (Note 3)	30%, 30% and 40% of options on 31 March 2022, 2023 and 2024, respectively	10 years from the date of grant	HKD3.570	33,320,000 (Note 4)	–	–	–	(2,400,000)	30,920,000 (Note 5)
Sub-total					156,920,000	36,821,600	(3,032,000)	–	(2,400,000)	64,709,600
Total					193,320,000	73,221,600	(3,032,000)	–	(2,400,000)	101,109,600

Note 1: The 36,821,600 outstanding share options as at 1 January 2021 were held by 21 grantees who were employees of the Group.

Note 2: The 33,789,600 outstanding share options as at 31 December 2021 were held by 20 grantees who were employees of the Group.

Note 3: The closing price of the shares of the Company immediately before the date on which the options were granted (i.e. 31 March 2021) was HKD3.510.

Note 4: The 33,320,000 share options granted on 31 March 2021 were held by 128 grantees who were employees of the Group.

Note 5: The 30,920,000 outstanding share options as at 31 December 2021 were held by 115 grantees who were employees of the Group.

During the year ended 31 December 2021, 33,320,000 options were granted pursuant to the Previous Scheme. As at 31 December 2021, 101,109,600 share options remained outstanding under the Previous Scheme.

The table below sets out details of the outstanding options granted to the Directors and other grantees under the Share Option Scheme and movements during the period of 17 September 2021 to 31 December 2021:

					Number of shares					
Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Outstanding as at 17 September 2021	Exercised during the year ended 31 December 2021	Closing price (weighted average) of the shares of the Company immediately before the dates on which the options were exercised	Cancelled/ Lapsed during the year ended 31 December 2021	Outstanding as at 31 December 2021
Other Grantees										
Employees	12 November 2021	10%, 15%, 20%, 25% and 30% upon completion of the Group's annual performance assessment of 2022, 2023, 2024, 2025 and 2026, respectively	10 years from the date of grant	HKD3.590	101,800,000	–	–	–	–	101,800,000 (Note 1)
Employees	10 December 2021	10%, 15%, 20%, 25% and 30% upon completion of the Group's annual performance assessment of 2022, 2023, 2024, 2025 and 2026, respectively	10 years from the date of grant	HKD3.836	11,000,000	–	–	–	–	11,000,000 (Note 2)
Consultants	10 December 2021	10%, 15%, 20%, 25% and 30% upon completion of the Group's annual performance assessment of 2022, 2023, 2024, 2025 and 2026, respectively	10 years from the date of grant	HKD3.836	24,000,000	–	–	–	–	24,000,000 (Note 3)
Total					136,800,000	–	–	–	–	136,800,000

Note 1: The 101,800,000 outstanding share options as at 31 December 2021 were held by 166 grantees who are employees of the Group.

Note 2: The 11,000,000 outstanding share options as at 31 December 2021 were held by 30 grantees who are employees of the Group.

Note 3: The 24,000,000 outstanding share options as at 31 December 2021 were held by 5 grantees who are consultants of the Group.

During the year ended 31 December 2021, 136,800,000 options were granted and remained outstanding pursuant to the Share Option Scheme.

As at 31 December 2021, there was no participant with share options granted in excess of the individual limit.

Value of share options

The Binomial Model had been used to estimate the fair value of the share options. The model involves the construction of a binomial lattice which represents different possible paths that might be followed by the stock price over the life of the options. In developing the binomial lattice, the life of the options is divided into various time steps. In each time step there is a binomial stock price movement. The main inputs to the model include the share price of the Company, exercise price, exercise multiple, risk-free rate, expected volatility, dividend yield and expected life of the options.

Value of share options granted on 31 March 2021

The fair value of the share options granted on 31 March 2021 was HKD53.0 million, and the specific parameters were selected by an independent qualified professional valuer as follows:

a. Stock price: HKD3.570 per share (being the closing price of HKD3.570 per Share as of the grant date)

b. Exercise price: HKD3.570 per share (being the highest price of (i) the closing price of HKD3.570 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the grant date; (ii) the average closing price of HKD3.404 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the grant date; and (iii) the nominal value of a share)

c. Expected volatility: 51.35% (based on the historical share price volatility of comparable companies in the relevant period)

d. Risk-free interest rate: 1.33% (based on the yields of HKD Hong Kong Sovereign Curve with respective tenors as at the grant date)

Value of share options granted on 12 November 2021

The fair value of the share options granted on 12 November 2021 was HKD188.4 million, and the specific parameters were selected by an independent qualified professional valuer as follows:

a. Stock price: HKD3.590 per share (being the closing price of HKD3.590 per Share as of the grant date)

b. Exercise price: HKD3.590 per share (being the highest price of (i) the closing price of HKD3.590 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the grant date; (ii) the average closing price of HKD3.546 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the grant date; and (iii) the nominal value of a share)

c. Expected volatility: 51.53 % (based on the historical share price volatility of comparable companies in the relevant period)

d. Risk-free interest rate: 1.39% (based on the yields of HKD Hong Kong Sovereign Curve with revelant tenors as at the grant date)

Value of share options granted on 10 December 2021

The fair value of the share options granted to employees on 10 December 2021 was HKD21.4 million, and the specific parameters were selected by an independent qualified professional valuer as follows:

a. Stock price: HKD3.800 per share (being the closing price of HKD3.800 per Share as of the grant date)

b. Exercise price: HKD3.836 per share (being the highest price of (i) the closing price of HKD3.800 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the grant date; (ii) the average closing price of HKD3.836 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the grant date; and (iii) the nominal value of a share)

c. Expected volatility: 51.54% (based on the historical share price volatility of comparable companies in the relevant period)

d. Risk-free interest rate: 1.37% (based on the yields of HKD Hong Kong Sovereign Curve with revelant tenors as at the grant date)

SHARE AWARD SCHEME

The Company adopted the 2019 Share Award Scheme on 28 December 2018 which was subsequently amended by an unanimous written resolution of the Board on 29 April 2019.

2019 Share Award Scheme

The 2019 Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No shareholders' approval is required to adopt the 2019 Share Award Scheme.

Pursuant to the 2019 Share Award Scheme, the trustee thereunder, namely Bank of Communications Trust Limited (the "**2019 Scheme Trustee**"), purchased a total of 54,762,000 shares of the Company at cash consideration of RMB206,020,580 on the Stock Exchange during the year ended 31 December 2021.

As at the year ended 31 December 2021, a total of 312,620,000 shares of the Company have been granted by the Company to certain senior management/employees at a price of HKD1.35 per share on 29 September 2020. Such shares have been fully vested on the same day under the 2019 Share Award Scheme, of which 12,645,000 shares were subscribed as at 31 December 2021. There were no vesting conditions attached to the Award Shares (as defined below). The Company funded the 2019 Share Award Scheme and the subscriptions are recorded by the Company as share-based payments determined based on the difference between market price of the Awarded Shares and considerations receivable from the grantees.

1. **Objective of the 2019 Share Award Scheme**

   The objectives of the 2019 Share Award Scheme are (i) to recognise and motivate the contributions by certain eligible participants and to incentivise them and retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain eligible participants with a direct economic interest in attaining a long-term relationship between the Group and certain eligible participants.

2. **Participants of the 2019 Share Award Scheme and the basis of determining the eligibility of the participants**

   The Board may at its discretion grant shares of the Company pursuant to the 2019 Share Award Scheme ("Award Shares") to any employee and non-executive director of the Company or any member of the Group who in the sole opinion of the Board will contribute or have contributed to any member of the Group (collectively the "Selected Participants").

3. **Maximum number of Award Shares**

   Pursuant to the rules of the 2019 Share Award Scheme, the Board shall not make any further grant of Award Shares such that the total number of shares granted under the 2019 Share Award Scheme will exceed 10% of the total number of issued shares as at 28 December 2018 (the "2019 SAS Adoption Date"). The maximum number of Award shares that may be granted under the 2019 Share Award Scheme is 433,629,120 shares.

   As at 31 December 2021, an aggregate of 312,620,000 Award Shares had been granted to certain Selected Participants subject to the terms of the 2019 Share Award Scheme and certain other terms and conditions.

4. Amount payable for the Award Shares

An offer of grant of Award Shares shall remain open for acceptance by the Selected Participants concerned for such period as determined by the Board, which period shall not be more than ten (10) business days from the date of the offer. In order to subscribe for the Award Shares, the grantee shall submit relevant notice(s) and make the payment of any amount as specified by the Board to the Company, thereafter the Company will instruct the trustee under the scheme in writing to allot the corresponding Award Shares to the relevant grantee after the receipt of aforesaid notice(s) and the subscription monies.

5. Conditions

The Board may specify any conditions or performance targets that must be attained by the relevant Selected Participant before any Award Shares may be transferred to and vested in the Selected Participant.

6. Remaining Life of the 2019 Share Award Scheme

The 2019 Share Award Scheme shall be valid and effective for a term of 10 years commencing on the 2019 SAS Adoption Date after which no further Award Share may be offered.

The table below sets out the movements of Award Shares during the period from 1 January 2021 to 31 December 2021:

Name	Date of grant	Vesting date	Issue price	Granted on the date of grant	Outstanding as at 1 January 2021	Exercised during the year ended 31 December 2021	Lapsed during the year ended 31 December 2021	Outstanding as at 31 December 2021
Other Grantees								
Aggregate of other Grantees (6 employees)	29 September 2020	29 September 2020	HKD1.35 (Note)	312,620,000	312,620,000	(12,645,000)	–	299,975,000
Total				312,620,000	312,620,000	(12,645,000)	–	299,975,000

Note: The issue price of HKD1.35 per share in respect of the 312,620,000 Award Shares granted at 29 September 2020 was determined based on (i) the cost of purchasing the Sale Shares from the Vendor; and (ii) the cost of purchasing the 12,620,000 shares of the Company on the Stock Exchange during the year of 2019.

2022 Share Award Scheme

On 3 March 2022, the Company adopted another share award scheme (the "**2022 Share Award Scheme**").

1. *Objective of the 2022 Share Award Scheme*

   The objectives of the 2022 Share Award Scheme are (i) to recognise and motivate the contributions by certain eligible participants and to incentivise them and retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain eligible participants with a direct economic interest in attaining a long-term relationship between the Group and certain eligible participants.

2. *Participants of the 2022 Share Award Scheme and the basis of determining the eligibility of the participants*

   The Board may at its discretion grant shares of the Company pursuant to the 2022 Share Award Scheme ("2022 Scheme Award Shares") to (i) any employee and non-executive Director of the Company and/or any member of the Group and any related entity who, in the sole opinion of the Board, will contribute or have contributed to any member of the Group; and (ii) agents, consultants, suppliers or any other persons who provide services to any member of the Group and, in the sole opinion of the Board, will contribute or have contributed to any member of the Group (collectively the "2022 Scheme Selected Participants").

3. *Maximum number of 2022 Award Shares*

   Pursuant to the rules of the 2022 Share Award Scheme, the Board shall not make any further grant of 2022 Scheme Award Shares such that the total number of shares granted under the 2022 Share Award Scheme will exceed 10% of the total number of issued shares as at 3 March 2022 (the "2022 SAS Adoption Date"). The maximum number of Award shares that may be granted under the Share Award Scheme is 463,003,040 shares. As at the date of this report, no 2022 Scheme Award Shares had been granted under the 2022 Share Award Scheme.

4. *Amount payable for the 2022 Scheme Award Shares*

   An offer of grant of 2022 Scheme Award Shares shall remain open for acceptance by the 2022 Scheme Selected Participants concerned for such period as determined by the Board, which period shall not be more than ten (10) business days from the date of the offer. In order to subscribe for the 2022 Scheme Award Shares, the grantee shall submit relevant notice(s) and make the payment of any amount as specified by the Board to the Company, thereafter the Company will instruct the trustee under the scheme in writing to allot the corresponding Award Shares to the relevant grantee after the receipt of aforesaid notice(s) and the subscription monies.

5. *Conditions*

   The Board may specify any conditions or performance targets that must be attained by the relevant 2022 Scheme Selected Participant before any 2022 Scheme Award Shares may be transferred to and vested in the 2022 Scheme Selected Participant.

6. Remaining Life of the Share Award Scheme

The 2022 Share Award Scheme shall be valid and effective for a term of 10 years commencing on 3 March 2022 after which no further 2022 Scheme Award Share may be offered.

As at the date of this report, the 2019 Scheme Trustee held certain shares, the details of which are as follows: (i) 312,620,000 shares that have been granted to certain eligible participants thereunder (and that are already vested) while 12,645,000 shares have been transferred to such grantees (the "2019 Granted Shares"); and (ii) 66,224,000 shares that have not yet been granted to any eligible participants thereunder (the "2019 Outstanding Shares"). It is currently intended that the 2019 outstanding Shares be transferred to the trustee under the 2022 Share Award Scheme (namely Futu Trustee Limited), which will hold such shares as part of the trust fund thereunder, whilst the 2019 Granted Shares will continue to be held by the trustee under the 2019 Share Award Scheme (namely Bank of Communications Trust Limited).

Under the 2019 Share Award Scheme, the Board shall not make any further grant of award such that the total number of shares granted under such scheme will exceed 10% of the total number of issued shares as of the date of adoption of such scheme (namely 28 December 2018). Since the adoption of the 2019 Share Award Scheme up to the date of this report, a total of 312,620,000 shares have been granted such the 2019 Share Award Scheme, representing approximately 7.2% of the total number of issued shares of the Company as of the date of adoption of such scheme. Upon adoption of the 2022 Share Award Scheme, the Board expects that no new award will be granted under the 2019 Share Award Scheme. The 2019 Share Award Scheme will be retained mainly for the purpose of continuing holding the 2019 Granted Shares pending transfer of such shares to the relevant grantees.

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 40 (Related Party Transaction) to the consolidated financial statements, (a) there is no transaction, arrangement or contract of significance subsisting during or at the end of the financial year ended 31 December 2021 in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly; (b) there is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries; and (c) there is no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

During the year ended 31 December 2021, permitted indemnity provision as defined in the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) was in force for indemnity against liability incurred by Directors to a third party.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2021, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

Related party transaction

During the year ended 31 December 2021, none of the related parties transactions as disclosed in note 40 to the consolidated financial statements in this annual report constituted any non-exempt connected transaction or continuing connected transaction which are required to be disclosed pursuant to the Listing Rules.

In 2021, the related party transactions as set out in the note 40 to the consolidated financial statements in this annual report (other than the above-mentioned) are not "connected transactions" or "continuing connected transactions" of the Company. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules, where applicable.

TAX RELIEF

The Company is not aware of any relief from taxation available to its shareholders by reason of their holding of Company's shares.

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

During the year ended 31 December 2021, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2021, none of our Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective close associates had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group which would require disclosure under Rule 8.10 of the Listing Rules.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Company strives to maintain a good relationship with its employees, customers and suppliers in order to operate a sustainable business and to meet its short-term and long-term objectives.

The Company believes that our employees are our most important and valuable assets. As discussed in the section headed "Employees and Remuneration Policy" under "Management Discussion and Analysis", we provide our employees with remuneration packages that take into account their performance, qualification and working experience, results of the Group and market conditions with additional benefits including bonuses, various kinds of subsidies and insurance coverage.

The Company strives to maintain and reinforce sound relationships with its customers and suppliers. The Directors and senior management of the Company endeavour to communicate with its customers and suppliers from time to time. We invest in R&D and place emphasis on customers' feedback in order to deliver quality products to our customers and stay competitive in the market.

During the year, there was no material and significant dispute between the Group and its employees, customers or suppliers.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conducts for dealings by Directors in the listed securities of the Company. Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standard as set out in the Model Code during the year ended 31 December 2021.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2021.

AUDITORS

The consolidated financial statements in this annual report have been audited by Deloitte Touche Tohmatsu. There has been no change in the auditors of the Company during the past three years. A resolution will be proposed at the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

XIE Yuehui

Chairman, Executive Director and Chief Executive Officer

30 March 2022

Deloitte. 德勤

To The Shareholders of Lifetech Scientific Corporation
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of LifeTech Scientific Corporation (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 64 to 164, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("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 reporting 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.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development costs	
We identified the capitalisation of development costs as a key audit matter due to its significance to the consolidated financial statements and the significant degree of management judgement involved to determine the expenditure to be capitalised. As disclosed in note 17 to the consolidated financial statements, the carrying amount of the Group's development cost is RMB288,762,000 as at 31 December 2021. The Group capitalises significant costs incurred for the development of certain products related to structural heart diseases and peripheral vascular diseases as development costs. Details of the criteria for the expenditure to be capitalised are disclosed in notes 3 and 4 to the consolidated financial statements respectively. The capitalisation involves management's judgement in assessing whether technical and commercial feasibility have been achieved for each of the projects. The assessment of technical feasibility is based on the management assessment of results of product testing. The assessment of commercial feasibility is based on the profit forecast of each development project prepared by the management based on certain key assumptions, including revenue to be generated, budget costs and relevant market analysis.	Our procedures in relation to the capitalisation of development costs included: • Understanding and testing the Group's key control in relation to capitalisation of development costs; • Obtaining the commercial and technical feasibility report provided by the management and assessing the reasonableness of the commercial and technical feasibility study by reference to the industry and market information; • Obtaining the product testing reports provided by the management and enquiring the management about the technical feasibility of each product; • Performing an analysis of expenditure incurred for each development project and enquired with the management regarding the progress of each project to determine if the criteria for capitalisation were met; • Testing, on a sample basis, the expenditure being capitalised to source documents; and • Obtaining the profit forecast prepared by the management for each development project and assessing the appropriateness of key assumptions, including revenue generated, budget costs to be incurred and relevant market analysis associated with the development project.

Key Audit Matters - *continued*

Key audit matter	How our audit addressed the key audit matter
Fair value measurements of the unlisted equity fund included in financial assets at fair value through profit or loss ("FVTPL")	
We identified the fair value measurements of the unlisted equity fund included in financial assets at FVTPL as a key audit matter due to the material balance and significant management judgement involved as the valuations of investments are inherently subjective, particularly in the use of unobservable inputs for the Level 3 valuations. As disclosed in notes 4, 19 and 38(c) to the consolidated financial statements respectively, the fair values of the investments were assessed by the management based on valuations prepared by an independent qualified professional valuer. The management has also reviewed the key assumptions, inputs and method of the valuation model. The total loss from changes in fair value were amounted to RMB74,055,000 for the year ended 31 December 2021.	Our procedures in relation to evaluating the unlisted equity fund included in financial assets at FVTPL included: • Understanding the structure of the investments and assessing the key assumptions, inputs and method of the valuation model; • Engaging our internal valuation specialists to review the reasonableness of the assumptions, inputs and method of the valuation model used by the independent qualified professional valuer; • Evaluating the independent qualified professional valuer's competence, capabilities and objectivity; • Checking arithmetical accuracy of the calculations; and • Evaluating the appropriateness on the classification and adequacy of disclosure in accordance with the requirements of relevant IFRSs.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine 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 the independent auditor's report is Lee Ka Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5	**925,334**	642,299
Cost of sales		**(177,800)**	(129,154)
Gross profit		**747,534**	513,145
Other income, expenses, gains and losses	6	**9,756**	246,906
Impairment losses under expected credit loss model, net of reversal	7	**8,510**	(7,808)
Selling and distribution expenses		**(194,153)**	(216,373)
Administration expenses		**(97,022)**	(104,107)
Research and development expenses		**(145,886)**	(167,274)
Operating profit		**328,739**	264,489
Finance income (cost), net	8	**5,059**	(19,043)
Share of results of associates		**(870)**	(2,822)
Profit before tax	9	**332,928**	242,624
Income tax expense	11	**(49,571)**	(35,581)
Profit for the year		**283,357**	207,043
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,066**	1,037
Total comprehensive income for the year		**285,423**	208,080
Profit (loss) for the year attributable to:			
Owners of the Company		**292,472**	216,085
Non-controlling interests		**(9,115)**	(9,042)
		283,357	207,043
Total comprehensive income (expense) attributable to:			
Owners of the Company		**294,538**	217,122
Non-controlling interests		**(9,115)**	(9,042)
		285,423	208,080
Earnings per share	13		
– Basic		**RMB6.8 cents**	RMB5.0 cents
– Diluted		**RMB6.4 cents**	RMB4.9 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	14	651,962	414,262
Right-of-use assets	15	72,103	69,259
Investment properties	16	142,481	148,197
Intangible assets	17	364,829	304,903
Interests in associates	18	21,520	12,729
Financial assets at FVTPL	19	27,110	358,298
Deposits for acquisition of property, plant and equipment/right-of-use asset		19,640	16,159
Deferred tax assets	20	46,998	35,896
Fixed bank deposit	24(a)	—	50,000
		1,346,643	1,409,703
Current assets			
Inventories	21	129,286	99,623
Trade receivables	22	110,036	107,135
Other receivables and prepayments	23	121,374	87,413
Financial assets at FVTPL	19	199,000	—
Fixed bank deposits	24(a)	158,112	170,992
Pledged bank deposits	24(b)	—	108,000
Bank balances and cash	24(c)	1,119,264	971,683
		1,837,072	1,544,846
Current liabilities			
Trade and other payables	25	429,610	265,046
Contract liabilities	26	7,223	14,216
Tax payables		34,029	33,031
Lease liabilities	30	11,045	6,846
Bank borrowings	28	—	174,462
		481,907	493,601
Net current assets		1,355,165	1,051,245
Total assets less current liabilities		2,701,808	2,460,948

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Government grants	27	32,080	30,285
Lease liabilities	30	4,626	4,673
Financial liabilities at FVTPL	29	135,000	67,500
		171,706	102,458
Net assets		2,530,102	2,358,490
Capital and reserves			
Share capital	31	37	37
Reserves		2,503,545	2,340,108
Equity attributable to owners of the Company		2,503,582	2,340,145
Non-controlling interests		26,520	18,345
Total equity		2,530,102	2,358,490

The consolidated financial statements on pages 64 to 164 were approved and authorised for issue by the board of directors on 30 March 2022 and are signed on its behalf by:

Mr Xie Yuehui
Executive Director and Chairman

Mr Liu Jianxiong
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2021

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Share option reserve RMB'000	Reserve for Share Award Scheme RMB'000 (Note iii)	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	35	777,668	975	689	50,259	74,347	(339,596)	(3)	32,531	555,107	1,152,012	9,650	1,161,662
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	216,085	216,085	(9,042)	207,043
Other comprehensive income for the year	–	–	–	1,037	–	–	–	–	–	–	1,037	–	1,037
Total comprehensive income (expense) for the year	–	–	–	1,037	–	–	–	–	–	216,085	217,122	(9,042)	208,080
Release upon disposal/deregistration of subsidiaries	–	–	–	–	(52)	–	–	–	–	–	(52)	(2,973)	(3,025)
Recognition of equity-settled share-based payments	–	–	–	–	–	3,294	151,239	–	–	–	154,533	–	154,533
Exercise of share options	–	39,800	–	–	–	(14,249)	–	–	–	–	25,551	–	25,551
Disposal of interest in a subsidiary	–	–	500	–	–	–	–	–	–	–	500	1,850	2,350
Capital contributed by non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	18,860	18,860
Issue of new shares, net of transaction cost (note 31)	2	790,477	–	–	–	–	–	–	–	–	790,479	–	790,479
	2	830,277	500	1,037	(52)	(10,955)	151,239	–	–	216,085	1,188,133	8,695	1,196,828
At 31 December 2020	37	1,607,945	1,475	1,726	50,207	63,392	(188,357)	(3)	32,531	771,192	2,340,145	18,345	2,358,490
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	292,472	292,472	(9,115)	283,357
Other comprehensive income for the year	–	–	–	2,066	–	–	–	–	–	–	2,066	–	2,066
Total comprehensive income (expense) for the year	–	–	–	2,066	–	–	–	–	–	292,472	294,538	(9,115)	285,423
Purchase of shares under Share Award Scheme	–	–	–	–	–	–	(170,520)	–	–	–	(170,520)	–	(170,520)
Recognition of equity-settled share-based payments	–	–	–	–	–	21,560	–	–	–	–	21,560	–	21,560
Exercise of share options	–	5,794	–	–	–	(2,085)	–	–	–	–	3,709	–	3,709
Exercise of awarded shares	–	7,314	–	–	–	–	6,816	–	–	–	14,130	–	14,130
Capital contributed by non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	16,890	16,890
Disposal of partial interest in a subsidiary	–	–	20	–	–	–	–	–	–	–	20	400	420
	–	13,108	20	2,066	–	19,475	(163,704)	–	–	292,472	163,437	8,175	171,612
At 31 December 2021	37	1,621,053	1,495	3,792	50,207	82,867	(352,061)	(3)	32,531	1,063,664	2,503,582	26,520	2,530,102

Notes:

(i) Statutory surplus reserve is non-distributable and the transfer to this reserve is determined according to the relevant laws in the PRC and by the board of directors of the PRC subsidiaries in accordance with the Article of Association of the subsidiaries. Statutory surplus reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

(ii) Contribution reserve represents the difference between the fair value of the consideration paid for the acquisition of Lifetech Shenzhen from shareholders and the carrying amount of the share of net assets acquired in August 2006 and it is regarded as a deemed contribution from shareholders under merger accounting.

(iii) On 28 December 2018, the Company adopted a share award scheme ("Share Award Scheme"). For the purpose of this scheme, the Company instructed Bank of Communications Trustee Limited (the "Trustee") to purchase an aggregate of 300,000,000 ordinary shares from Synergy Summit Limited (the "Vendor"), a substantial shareholder of the Company, with funding provided by the Company. The consideration for the shares was set at HKD1.23 per ordinary share and the ordinary shares will be granted to any employee, executive and non-executive director of the Company (the "2019 SAS Eligible Participants") who will contribute to the Company. During the year ended 31 December 2019, in accordance with the Share Award Scheme, a total of 300,000,000 shares at a consideration of RMB324,314,000 have been purchased from the Vendor, and a total of 12,620,000 ordinary shares at a consideration of RMB15,282,000 have been purchased from the market (together the "Awarded Shares").

    Pursuant to the grant notices and vesting notices to 2019 SAS Eligible Participants dated 29 September 2020, a total of 312,620,000 shares of the Company have been granted by the Company to certain senior management/employees at a price of HKD1.35 per share and fully vested at the same date under Share Award Scheme. There were no vesting conditions attached to such Awarded Shares. The Company determined the share-based payment expenses based on the difference between the closing market price of the Awarded Shares at the grant date and considerations receivable from 2019 SAS Eligible Participants upon exercise.

    During the year ended 31 December 2021, the Company instructed the Trustee to repurchase 54,762,000 ordinary shares from the market at a consideration of RMB170,520,000 in accordance with the Share Award Scheme. These shares will be further granted to 2019 SAS Eligible Participants and none have been granted as of 31 December 2021.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit before tax	332,928	242,624
Adjustments for:		
Amortisation of intangible assets	9,363	7,004
Loss (gain) on fair value change of financial assets at FVTPL	74,102	(200,074)
Depreciation of investment properties	5,716	5,655
Depreciation of right-of-use assets	12,866	16,014
Depreciation of property, plant and equipment	34,106	33,955
Finance (income) cost, net	(5,059)	19,043
Interest income	(6,713)	—
Gain on disposal/deregistration of subsidiaries	—	(5,703)
Government grants	(21,913)	(21,349)
Impairment losses under expected credit loss model, net of reversal	(8,510)	7,808
Loss on deregistration of an associate	—	546
Gain on disposal of property, plant and equipment	(57)	(223)
Loss on early termination of lease	111	—
Share-based payment expenses	19,734	153,978
Share of results of associates	870	2,822
Unrealised foreign exchange (gain) loss	(10,179)	49,468
Write-down on inventories	1,696	4,237
Gain on deemed partial disposal of an associate	(5,941)	—
Operating cash flows before movements in working capital	433,120	315,805
Increase in inventories	(31,359)	(4,735)
Decrease in trade receivables	56,682	16,847
Increase in other receivables and prepayments	(33,954)	(2,190)
Increase in trade and other payables	114,257	42,211
(Decrease) increase in contract liabilities	(6,993)	8,808
Government grants received for operating activities	16,775	5,505
Cash generated from operations	548,528	382,251
Income taxes paid	(59,675)	(43,719)
NET CASH FROM OPERATING ACTIVITIES	488,853	338,532

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES		
Placement of fixed bank deposits	(108,112)	(220,992)
Deposits paid for and purchase of property, plant and equipment	(275,822)	(105,074)
Development costs paid	(64,817)	(52,731)
Placement of pledged bank deposits	—	(48,000)
Capital injection in investments in associates	(3,500)	(10,000)
Payments for intangible assets	(2,646)	(577)
Withdrawal of fixed bank deposits	170,992	50,000
Withdrawal of pledged bank deposits	108,000	30,000
Interest received from bank deposits	7,668	6,649
Interest received from short-term bank structured deposits	6,713	—
Government grants received for acquisition of plant and equipment	6,000	6,539
Proceeds from disposal of property, plant and equipment	503	2,166
Proceeds from deregistration of an associate	—	390
Purchase of financial assets at FVTPL	(209,000)	—
Proceeds from disposal of financial assets at FVTPL	277,265	—
NET CASH USED IN INVESTING ACTIVITIES	(86,756)	(341,630)
FINANCING ACTIVITIES		
Purchase of shares under Share Award Scheme	(170,520)	—
Proceeds from issue of new shares, net of transaction costs	—	790,479
Bank borrowings raised	—	131,179
Issue of financial liabilities at FVTPL	67,500	67,500
Proceeds from issue of shares upon exercise of share options	3,709	25,551
Proceeds from issue of shares upon exercise of awarded shares	14,130	—
Capital contributed by non-controlling interests of subsidiaries	16,890	17,360
Repayments of bank borrowings	(174,462)	(314,786)
Interest paid for bank borrowings	(1,954)	(24,700)
Repayments of lease liabilities	(11,433)	(15,099)
Return of capital to non-controlling interest upon deregistration of a subsidiary	—	(1,827)
Repayments of interests on lease liabilities	(655)	(992)
Proceeds from disposal of partial interest in a subsidiary	420	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(256,375)	674,665
NET INCREASE IN CASH AND CASH EQUIVALENTS	145,722	671,567
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	971,683	299,027
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,859	1,089
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	1,119,264	971,683

1. GENERAL INFORMATION

Lifetech Scientific Corporation ("the Company") was incorporated in the Cayman Islands on 17 August 2006 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Xie Yuehui, is the Chairman and Chief Executive Officer of the Company. The address of the registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands and the address of the principal place of business is LifeTech Scientific Building, No.22, Keji 12th Road South, High-tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the PRC.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are development, manufacture and trading of advanced interventional medical devices for cardiovascular and peripheral vascular diseases and disorders.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and the Group's major operating subsidiaries.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2

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

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to IFRSs in issue but not yet effective

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

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

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

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

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

New and amendments to IFRSs in issue but not yet effective - *continued*

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies - continued

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

Amendments to IAS 8 Definition of Accounting Estimates ("IAS 8")

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group consolidated financial statements.

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

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

As disclosed in Note 3 to the consolidated financial statements, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB15,922,000 and RMB15,671,000 respectively.The Group is still in the process of assessing the full impact of the application of the amendments.

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure the fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Basis of consolidation - continued

Changes in the Group's interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Investments in associates - continued

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Investments in associates - continued

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Revenue from contracts with customers

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

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

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

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

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

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

Variable consideration

For contracts that contain variable consideration (i.e. sales rebate), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

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

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

Refund Liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of certain offices and staff dormitory 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 lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19- related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Leases - continued

The Group as lessee - *continued*

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Leases - continued

The Group as lessee - *continued*

Lease liabilities - continued

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Leases - continued

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that are not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Foreign currencies - continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using the exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as "government grants" in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Employee benefit

Retirement benefit costs

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

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve/reserve for share award scheme will be transferred to accumulated profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Share-based payments - continued

Equity-settled share-based payment transactions - *continued*

Share options granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

Share awarded to employees

For shares under Share Award Scheme that vest immediately at the date of grant, the difference between the fair value of the shares at the granted day and considerations receivable is expensed immediately to profit or loss.

Taxation

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Taxation - continued

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Property, plant and equipment - continued

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals.

Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Intangible assets - continued

Internally-generated intangible assets - research and development expenditure

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

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

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

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

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

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Impairment on property, plant and equipment, right-of-use assets and intangible assets - continued

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* ("IFRS 3") applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - *continued*

Classification and subsequent measurement of financial assets - continued

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

Impairment of financial assets subject to impairment assessment under IFRS 9

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - *continued*

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

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - *continued*

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

(i) Significant increase in credit risk - *continued*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - *continued*

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables is considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - *continued*

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

(v) Measurement and recognition of ECL - *continued*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial liabilities and equity - *continued*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial liabilities and equity - *continued*

Financial liabilities at FVTPL - continued

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated profits upon derecognition of the financial liability.

The Group's financial liabilities at FVTPL are shares issued by a subsidiary, as detailed in note 29, which are mandatorily redeemable if certain specific conditions are not met and classified as liabilities.

The dividends on these shares are recognised in profit or loss as finance costs.

The Group designated these shares as financial liability at FVTPL. Subsequent to initial recognition, these shares are carried at fair value with changes in fair value recognised in profit or loss in the period in which it arises.

Financial liabilities at amortised cost

Financial liabilities representing trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Capitalisation of development costs

As at 31 December 2021, the carrying amount of the Group's development costs is RMB288,762,000 (2020:RMB269,424,000). The capitalisation involved management's judgement in assessing of whether technical and commercial feasibility of each project had been achieved. Technical feasibility is evaluated based on testing results of products and commercial feasibility is evaluated based on forecast with assumptions on revenue to be generated, budget costs to be incurred and relevant market analysis of the relevant product.

Key sources of estimation uncertainty

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

Fair value measurements of the unlisted equity fund include in financial assets at FVTPL

As at 31 December 2021, the fair value of the Group's unlisted equity fund included in financial assets at FVTPL is RMB17,157,000 (2020: RMB92,504,000). The determination of fair value of the financial assets involved management's judgement as the valuations of investments are inherently subjective, particularly in the use of unobservable inputs for the Level 3 valuation. The information about the financial assets at FVTPL is disclosed in notes 19 and 38(c), respectively.

5. REVENUE AND SEGMENT INFORMATION

A. For the year ended 31 December 2021

Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2021 Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000
Types of goods			
Sales of medical devices	331,058	548,533	45,743
Geographical markets			
Mainland China	225,184	503,108	45,743
Europe	44,247	24,012	—
Asia, excluding Mainland China and India	24,216	7,613	—
India	15,721	4,510	—
South America	13,776	7,365	—
Africa	5,927	1,223	—
Others	1,987	702	—
Total	331,058	548,533	45,743
Timing of revenue recognition			
At a point in time	331,058	548,533	45,743
Sales channel			
Wholesale	331,058	548,533	45,743
Total	331,058	548,533	45,743

5. REVENUE AND SEGMENT INFORMATION - *continued*

A. For the year ended 31 December 2021 - *continued*

The Group manufactures and sells the advanced interventional medical devices for cardiovascular and peripheral vascular diseases and disorders to the corporate directly.

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, also have the primary responsibility on selling the goods and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days (2020: 30 to 180 days) upon delivery.

The contracts of selling medical devices have an original expected duration of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31 December 2020

	For the year ended 31 December 2020		
Segments	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000
Types of goods			
Sales of medical devices	206,458	411,276	24,565
Geographical markets			
Mainland China	125,630	388,757	24,565
Europe	43,134	14,545	—
Asia, excluding Mainland China and India	15,575	1,550	—
India	8,760	2,309	—
South America	9,609	3,789	—
Africa	2,845	306	—
Others	905	20	—
Total	206,458	411,276	24,565
Timing of revenue recognition			
At a point in time	206,458	411,276	24,565
Sales channel			
Wholesale	206,458	411,276	24,565
Total	206,458	411,276	24,565

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information

The segment information reported internally was analysed on the basis of their products supplied by the Group's operating divisions which is consistent with the internal information that is regularly reviewed by executive directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance.

The Group's operating segments under IFRS 8 *Operating Segments* ("IFRS 8") are as follows:

- Structural heart diseases business: trade, manufacture, research and development of devices related to structural heart diseases.
- Peripheral vascular diseases business: trade, manufacture, research and development of devices related to peripheral vascular diseases.
- Cardiac pacing and electrophysiology business: trade, manufacture, research and development of devices related to cardiac pacing and electrophysiology.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Information regarding the above segments is reported below.

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2021

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Subtotal RMB'000	Elimination RMB'000	Total RMB'000
SEGMENT REVENUE						
External sales	331,058	548,533	45,743	925,334	—	925,334
Inter-segment sales	122,338	31,447	4,650	158,435	(158,435)	—
	453,396	579,980	50,393	1,083,769	(158,435)	925,334
Segment profit	296,481	451,542	7,778	755,801	—	755,801
Unallocated income						
– Finance income						7,668
– Other income and other gains						136,574
Unallocated expense						
– Selling and distribution expenses						(194,153)
– Administration expenses						(97,022)
– Research and development expenses						(145,886)
– Other expenses and losses						(126,818)
– Impairment losses under expected credit loss model, net of reversal						243
– Finance costs						(2,609)
– Share of result of associates						(870)
Profit before tax						332,928

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(a) Segment revenue and results - continued

For the year ended 31 December 2020

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Subtotal RMB'000	Elimination RMB'000	Total RMB'000
SEGMENT REVENUE						
External sales	206,458	411,276	24,565	642,299	–	642,299
Inter-segment sales	90,646	19,298	1,401	111,345	(111,345)	–
	297,104	430,574	25,966	753,644	(111,345)	642,299
Segment profit (loss)	179,855	329,088	(2,260)	506,683	–	506,683
Unallocated income						
– Finance income						6,649
– Other income and other gains						274,771
Unallocated expense						
– Selling and distribution expenses						(216,373)
– Administration expenses						(104,107)
– Research and development expenses						(167,274)
– Other expenses and losses						(27,865)
– Impairment losses under expected credit loss model, net of reversal						(1,346)
– Finance costs						(25,692)
– Share of result of associates						(2,822)
Profit before tax						242,624

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(a) Segment revenue and results - continued

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the gross profit (loss) earned by each segment without allocation of all other items of income and expenses, as set out above. This is the measure reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resources allocation and assessment of segment performance.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

Segment assets

	2021 RMB'000	2020 RMB'000
Operating segments		
Structural heart diseases business	291,059	255,217
Peripheral vascular diseases business	631,165	554,796
Cardiac pacing and electrophysiology business	113,607	113,683
Total segment assets	1,035,831	923,696
Unallocated assets		
Interests in associates	21,520	12,729
Property, plant and equipment	322,267	78,293
Right-of-use assets	72,103	69,259
Investment properties	142,481	148,197
Deferred tax assets	46,998	35,896
Financial assets at FVTPL	226,110	358,298
Other receivables and prepayments	26,131	16,354
Bank balances and cash	1,119,264	971,683
Fixed bank deposits	158,112	220,992
Intangible assets	2,245	—
Pledged bank deposits	—	108,000
Deposits paid for property, plant and equipment/right-of-use assets	10,653	11,152
Consolidated assets	3,183,715	2,954,549

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(b) Segment assets and liabilities - continued

Segment liabilities

	2021 RMB'000	2020 RMB'000
Operating segments		
Structural heart diseases business	**51,380**	25,475
Peripheral vascular diseases business	**93,778**	60,464
Cardiac pacing and electrophysiology business	**2,032**	3,743
Total segment liabilities	**147,190**	89,682
Unallocated liabilities		
Other payables	**285,438**	184,442
Tax payables	**34,029**	33,031
Government grants	**36,285**	35,423
Bank borrowings	**—**	174,462
Lease liabilities	**15,671**	11,519
Financial liabilities at FVTPL	**135,000**	67,500
Consolidated liabilities	**653,613**	596,059

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than fixed bank deposits, pledged bank deposits, bank balances and cash, financial assets at FVTPL, deferred tax assets, interests in associates, investment properties, right-of-use assets, certain other receivables and prepayments, certain intangible assets, certain property, plant and equipment, certain deposits paid for property, plant and equipment/right-of-use assets; and
- All liabilities are allocated to operating segments in arriving at segment liabilities, which exclude government grants (include current portion under other payables and non-current portion), tax payables, lease liabilities, certain other payables, bank borrowings and financial liabilities at FVTPL.

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(c) Other segment information

For the year ended 31 December 2021

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Capital expenditure (Note)	16,852	27,923	2,329	254,245	301,349
Depreciation of property, plant and equipment	11,923	19,754	1,647	782	34,106
Amortisation of intangible assets	3,350	5,550	463	—	9,363
Depreciation of right-of-use assets	4,046	7,037	559	1,224	12,866
Write-down on inventories	607	1,005	84	—	1,696
Impairment losses recognised on trade receivables	(2,957)	(4,901)	(409)	—	(8,267)

For the year ended 31 December 2020

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Capital expenditure (Note)	31,688	63,124	3,770	61,034	159,616
Depreciation of property, plant and equipment	10,043	20,007	1,195	2,710	33,955
Amortisation of intangible assets	2,251	4,485	268	—	7,004
Depreciation of right-of-use assets	4,149	9,188	494	2,183	16,014
Write-down on inventories	1,362	2,713	162	—	4,237
Impairment losses recognised on trade receivables	2,077	4,139	246	—	6,462

Note: Capital expenditure includes additions to property, plant and equipment, intangible assets, right-of-use assets and deposits for property, plant and equipment and right-of-use assets.

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(d) Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on geographical locations of the assets.

	Revenue from external customers		Non-current assets	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Mainland China	**774,035**	538,952	**1,270,932**	963,593
Europe	**68,259**	57,679	**141**	566
India	**20,231**	11,069	**376**	21
Asia, excluding Mainland China and India	**31,829**	17,125	**1,086**	1,329
South America	**21,141**	13,398	**—**	—
Africa	**7,150**	3,151	**—**	—
Others	**2,689**	925	**—**	—
Total	**925,334**	642,299	**1,272,535**	965,509

Note: Non-current assets excluded financial assets at FVTPL, fixed bank deposits and deferred tax assets.

(e) Information about major customers

No customer contributed to over 10% of the total sales of the Group during the years of 2021 and 2020.

6. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
Other income and expenses		
Rental income from operating leases	**37,110**	37,918
Government grants (note 27)	**21,913**	21,349
Depreciation of investment properties	**(5,716)**	(5,655)
Dividend income from unlisted fund	**47,759**	9,998
Others	**433**	(6,491)
	101,499	57,119
Other gains and losses		
(Loss) gain from changes in fair value of equity fund	**(74,055)**	65,162
Gain from changes in fair value of unlisted participating shares	**—**	134,912
Gain on disposal of unlisted participating shares	**17,081**	—
Unrealised foreign exchange loss in financial assets at FVTPL	**(1,292)**	(21,664)
Loss from changes in fair value of hybrid fund	**(47)**	—
Other net foreign exchange (loss) gain	**(39,317)**	5,997
Gain on deemed partial disposal of an associate	**5,941**	—
Loss on early termination of lease	**(111)**	—
Gain on disposal of property, plant and equipment	**57**	223
Loss of deregistration of an associate	**—**	(546)
Gain on disposal/deregistration of subsidiaries (Note)	**—**	5,703
	(91,743)	189,787
	9,756	246,906

Note: The amount represented a gain on disposal of a subsidiary Shenzhen Lifetech Cardio Medical Electronics Co., Ltd. ("深圳市先健心康醫療電子有限公司") ("Shenzhen Cardio"). After a share transfer to the then existing shareholder of Shenzhen Cardio and a capital injection in Shenzhen Cardio from an independent third party, the Group's shareholding in Shenzhen Cardio decreased from 70% to 51% (at which point the Group has lost control over Shenzhen Cardio) and further to 32.45% during the year ended 31 December 2020. Shenzhen Cardio eventually became an associate of the Group. Shenzhen Cardio has been accounted for using the equity method of accounting since the Group lost control over it.

Shenzhen Cardio did not have significant contribution to the results and cash flows of the Group during the year ended 31 December 2020 nor does it have significant assets and liabilities as at the date of disposal.

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2021 RMB'000	2020 RMB'000
Net impairment losses recognised on:		
– Trade receivables	(8,267)	6,462
– Other receivables	(243)	1,346
	(8,510)	7,808

Details of impairment assessment for the years ended 31 December 2021 and 2020 are set out in note 38.

8. FINANCE INCOME (COST), NET

	2021 RMB'000	2020 RMB'000
Finance income from:		
Interest income on bank deposits	7,668	6,649
Finance cost from:		
Interest expense on bank borrowings	(1,954)	(24,700)
Interest expense on lease liabilities	(655)	(992)
	(2,609)	(25,692)
Finance income (cost), net	5,059	(19,043)

9. PROFIT BEFORE TAX

	2021 RMB'000	2020 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (note 10)		
Directors' fees	480	432
Salaries, wages and other benefits	167,068	126,330
Performance related bonus	56,241	45,249
Share-based payment expenses	21,560	154,533
Retirement benefits scheme contributions	18,275	4,673
Less: capitalised in development costs, construction in progress and inventories	(37,860)	(16,635)
	225,764	314,582
Auditor's remuneration (including audit and non-audit services)	2,157	1,800
Cost of inventories recognised as expenses (Note i)	177,800	129,154
Depreciation of property, plant and equipment	34,106	33,955
Depreciation of investment properties	5,716	5,655
Depreciation of right-of-use assets	12,866	16,014
Amortisation of intangible assets (Note ii)	9,363	7,004
Less: capitalised in inventories	(13,198)	(13,380)
Total depreciation and amortisation	48,853	49,248
Gross rental income from investment properties	(37,110)	(37,918)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	5,716	5,655
	(31,394)	(32,263)

Notes:

(i) For the year end 31 December 2021, cost of inventories recognised as expenses included write-down on inventories of RMB1,696,000 (2020: RMB4,237,000).

(ii) Amortisation of intangible assets is included in cost of sales, selling and distribution expenses, administration expenses and research and development expenses amounting to approximately RMB878,000 (2020:RMB776,000), RMB181,000 (2020:RMB181,000), RMB477,000 (2020:RMB287,000) and RMB7,827,000 (2020:RMB5,760,000) respectively for the year.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the directors and chief executive by the Group disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

For the year ended 31 December 2021

	Director's fee RMB'000	Salaries RMB'000	Discretionary bonus (Note iii) RMB'000	Other benefit RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors:							
Mr. Xie Yuehui (Note i)	—	2,002	11,947	61	63	—	14,073
Mr. Liu Jianxiong	—	1,846	1,190	47	63	—	3,146
Non-executive directors:							
Mr. Jiang Feng	120	—	—	—	—	—	120
Mr. Fu Feng (Note ii)	—	—	—	—	—	—	—
Independent non-executive directors:							
Mr. Liang Hsien Tse Joseph	120	—	—	—	—	—	120
Mr. Zhou Luming	120	—	—	—	—	—	120
Mr. Wang Wansong	120	—	—	—	—	—	120
	480	3,848	13,137	108	126	—	17,699

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS - *continued*

For the year ended 31 December 2020

	Director's fee RMB'000	Salaries RMB'000	Discretionary bonus (Note iii) RMB'000	Other benefit RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors:							
Mr. Xie Yuehui (Note i)	—	1,611	2,359	39	23	882	4,914
Mr. Liu Jianxiong	—	1,542	1,442	39	23	756	3,802
Non-executive directors:							
Mr. Jiang Feng	108	—	—	—	—	—	108
Mr. Fu Feng (Note ii)	—	—	—	—	—	—	—
Independent non-executive directors:							
Mr. Liang Hsien Tse Joseph	108	—	—	—	—	—	108
Mr. Zhou Luming	108	—	—	—	—	—	108
Mr. Wang Wansong	108	—	—	—	—	—	108
	432	3,153	3,801	78	46	1,638	9,148

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(i) Mr. Xie Yuehui also serves as the chief executive of the Company. His emoluments include services rendered as chief executive.

(ii) Mr. Fu Feng was resigned as a non-executive Director on 19 April 2021.

(iii) The discretionary bonus were paid by the Group to any of the executive directors and the chief executive, which is determined with reference to the Group's operating results, individual performance and comparable market practices.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS - *continued*

Of the five individuals with the highest emoluments in the Group, two (2020: nil) were directors (one of them is also the Chief Executive Officer) whose emoluments are included above. The emoluments of the remaining three (2020: five) individuals were as follows:

	2021 RMB'000	2020 RMB'000
Employees		
– share-based payment	297	132,581
– salaries and other benefits	5,877	5,132
– performance related bonus	3,112	3,740
– contributions to retirement benefits scheme	243	144
	9,529	141,597

Their emoluments were within the following bands:

	2021 Number of employees	2020 Number of employees
HKD2,500,001 to HKD3,000,000	1	—
HKD3,500,001 to HKD4,000,000	1	—
HKD4,500,001 to HKD5,000,000	1	—
HKD29,000,001 to HKD29,500,000	—	1
HKD29,500,001 to HKD30,000,000	—	1
HKD31,000,001 to HKD31,500,000	—	1
HKD32,000,001 to HKD32,500,000	—	1
HKD36,000,001 to HKD36,500,000	—	1
	3	5

For each of the two years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the directors and the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors nor the chief executive waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

11. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	**52,048**	35,061
Hong Kong Profits Tax	**8,625**	4,116
Deferred tax credit (note 20):		
Current year	**(11,102)**	(3,596)
	49,571	35,581

The Company is tax exempted under the laws of the Cayman Islands.

Lifetech Scientific Trading Limited, a subsidiary of the Company, is subject to Hong Kong Profits Tax. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2.0 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% on assessable profits earned in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Lifetech Shenzhen and Biotyx Medical, two major operating subsidiaries in the PRC. Lifetech Shenzhen was qualified as High and New Technology Enterprise since 2009, which was subsequently renewed in August 2020, and therefore Lifetech Shenzhen is entitled to a preferential income tax rate of 15% for the year ended 31 December 2021 and 2020. Biotyx Medical was qualified as High Technology and New enterprise in December 2021, and therefore Biotyx Medical is entitled to a preferential income tax rate of 15% for the year ended 31 December 2021 (2020:25%). The qualification of High and New Technology Enterprises is subject to review by relevant tax authority in the PRC for every three years.

The applicable income tax rate of Lifetech Scientific India Private Ltd. in the jurisdiction of India is 30.9% on its taxable profits.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. INCOME TAX EXPENSE - *continued*

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	332,928	242,624
Tax at the applicable tax rate of 15% (2020: 15%) (Note)	49,939	36,394
Tax effect of expenses not deductible for tax purpose	5,900	10,337
Tax effect of tax losses not recognised	7,218	27,088
Tax effect of additional deductible research and development expenditure	(13,297)	(5,424)
Tax effect of income not taxable for tax purpose	–	(33,077)
Tax concession under two-tiered profits tax rates regime	(135)	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	627	428
Over provision in respect of prior years	(681)	–
Income tax expense for the year	49,571	35,581

Note: The PRC EIT rate of Lifetech Shenzhen and Biotyx Medical that accounts for substantial operation of the Group is 15%.

12. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share from continuing operation attributable to the owners of the Company is based on the following data:

	2021 RMB'000	2020 RMB'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share from continuing operations	292,472	216,085

	2021 '000	2020 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	4,309,271	4,337,755
Effect of dilutive potential ordinary shares:		
Share Options	48,031	51,588
Awarded Shares	205,590	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,562,892	4,389,343

Note: Treasury shares are deducted from total number of shares in issue for the purpose of calculating earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST							
At 1 January 2020	192,832	9,694	213,787	17,877	24,655	5,481	464,326
Exchange realignment	—	—	(20)	—	(74)	—	(94)
Additions	—	67,300	11,459	5,426	3,624	—	87,809
Transfer to investment property	—	(3,665)	—	—	—	—	(3,665)
Reclassification	5,237	(6,735)	1,498	—	—	—	—
Disposals	—	(768)	(4,199)	—	(1,344)	—	(6,311)
Disposal through disposal of a subsidiary	—	—	—	(129)	(334)	—	(463)
At 31 December 2020	198,069	65,826	222,525	23,174	26,527	5,481	541,602
Exchange realignment	—	—	(10)	—	(74)	—	(84)
Additions	700	259,722	5,516	269	6,108	1,619	273,934
Reclassification	37	(493)	456	—	—	—	—
Disposals	—	—	(495)	—	(239)	(1,551)	(2,285)
Disposal through disposal of a subsidiary	—	—	(16)	(3,008)	(262)	—	(3,286)
At 31 December 2021	**198,806**	**325,055**	**227,976**	**20,435**	**32,060**	**5,549**	**809,881**

14. PROPERTY, PLANT AND EQUIPMENT - *continued*

	Building RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
DEPRECIATION AND IMPAIRMENT							
At 1 January 2020	12,705	—	55,700	15,138	11,825	2,585	97,953
Exchange realignment	—	—	(18)	—	(31)	—	(49)
Provided for the year	6,951	—	19,440	3,732	3,299	533	33,955
Eliminated on disposals	—	—	(3,268)	—	(1,100)	—	(4,368)
Eliminated on disposal through disposal of a subsidiary	—	—	—	(39)	(112)	—	(151)
At 31 December 2020	19,656	—	71,854	18,831	13,881	3,118	127,340
Exchange realignment	—	—	(9)	—	(68)	—	(77)
Provided for the year	7,040	—	20,681	2,063	3,802	520	34,106
Eliminated on disposals	—	—	(385)	—	(156)	(1,298)	(1,839)
Impairment loss recognised in profit or losses	—	—	501	—	—	—	501
Eliminated on disposal through disposal of a subsidiary	—	—	—	(2,011)	(101)	—	(2,112)
At 31 December 2021	**26,696**	**—**	**92,642**	**18,883**	**17,358**	**2,340**	**157,919**
CARRYING VALUES							
At 31 December 2021	**172,110**	**325,055**	**135,334**	**1,552**	**14,702**	**3,209**	**651,962**
At 31 December 2020	178,413	65,826	150,671	4,343	12,646	2,363	414,262

14. PROPERTY, PLANT AND EQUIPMENT - *continued*

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis, after taking into account of their residual values, at the following rates per annum:

Building	3.33%
Plant and machinery	10% - 20%
Leasehold improvement	20% - 33.3%
Furniture, fixtures and equipment	20%
Motor vehicles	10%

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2021			
Carrying amount	56,181	15,922	72,103
As at 31 December 2020			
Carrying amount	57,714	11,545	69,259
For the year ended 31 December 2021			
Depreciation charge	1,532	11,334	12,866
For the year ended 31 December 2020			
Depreciation charge	1,532	14,482	16,014

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	1,014	589
Total cash outflow for leases	13,102	16,680
Addition to right-of-use assets	19,889	3,432

For both years, the Group leases various offices, warehouses and staff dormitories for its operations. Lease contracts are entered into for fixed term of 5 months to 6 years. Lease terms are negotiated on individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

15. RIGHT-OF-USE ASSETS - *continued*

The Group regularly entered into short-term leases for certain offices and staff dormitory. As at 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense amounted to RMB1,014,000 (2020: RMB589,000) disclosed in this note above.

In addition, lease liabilities of RMB15,671,000 (2020: RMB11,519,000) are recognised with related right-of-use assets of RMB15,922,000 (2020: RMB11,545,000) as at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

16. INVESTMENT PROPERTIES

The Group leases out office buildings under operating leases with rentals payable monthly. The leases typically run for a period of 1 to 10 years (2020: 1 to 10 years) with fixed monthly lease payments except a lease of the underground floor of investment property which contains variable lease payment that is based on 6% to 7% (2020: 6% to 7%) annual sales of lessee and minimum annual lease payment that is fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	RMB'000
COST	
At 1 January 2020	167,099
Transfer from property, plant and equipment	3,665
At 31 December 2020 and 2021	**170,764**
DEPRECIATION	
At 1 January 2020	16,912
Provided for the year	5,655
At 31 December 2020	22,567
Provided for the year	5,716
At 31 December 2021	**28,283**
CARRYING VALUES	
At 31 December 2021	**142,481**
At 31 December 2020	148,197

16. INVESTMENT PROPERTIES - *continued*

The estimated fair value of the Group's investment properties at 31 December 2021 was RMB633,795,000 (2020:RMB565,661,000). The estimated fair value has been arrived at on the basis of valuations carried out on 31 December 2021 and 31 December 2020 the respective dates by 深圳中科華資產評估有限公司, independent qualified professional valuers not connected with the Group.

The fair value of the investment properties of the Group were determined either based on income capitalisation approach or direct comparison approach. For those determined based on the income capitalisation approach, the market rentals of all lettable units of the properties under current leases are assessed and discounted at the market yield expected by investors. The market discount rate is determined by reference to the yields derived from analysing the sales transactions of similar properties and adjusted transaction price to reflect location, size, age and maintenance to the Group's investment properties. For those determined based on direct comparison approach, the fair value of the investment properties were determined by reference to the market transaction prices of similar properties in the neighbourhood, and adjusted based on the location, size, age and maintenance of the property.

In estimating the fair value of the properties, the highest and best use of the properties is their current use and the fair value measurements for all of the Group's properties are categorised as Level 3. There has been no change of the valuation technique used from the prior years.

The above investment properties including buildings are depreciated on a straight-line basis over 30 to 38 years.

17. INTANGIBLE ASSETS

	Patents RMB'000	Licenses RMB'000	Computer software RMB'000	Development costs RMB'000	Club membership RMB'000	Total RMB'000
COST						
At 1 January 2020	57,156	2,679	5,454	216,138	—	281,427
Additions	—	—	577	53,286	—	53,863
Disposal through disposal of a subsidiary	(1,111)	—	(42)	—	—	(1,153)
At 31 December 2020	56,045	2,679	5,989	269,424	—	334,137
Additions	72	—	329	66,643	2,245	69,289
Transfer	47,305	—	—	(47,305)	—	—
At 31 December 2021	**103,422**	**2,679**	**6,318**	**288,762**	**2,245**	**403,426**
ACCUMULATED AMORTISATION						
At 1 January 2020	15,707	2,679	4,129	—	—	22,515
Provided for the year	6,215	—	789	—	—	7,004
Eliminated on disposal through disposal of a subsidiary	(250)	—	(35)	—	—	(285)
At 31 December 2020	21,672	2,679	4,883	—	—	29,234
Provided for the year	8,768	—	595	—	—	9,363
At 31 December 2021	**30,440**	**2,679**	**5,478**	**—**	**—**	**38,597**
CARRYING VALUES						
At 31 December 2021	**72,982**	**—**	**840**	**288,762**	**2,245**	**364,829**
At 31 December 2020	34,373	—	1,106	269,424	—	304,903

The intangible assets, except for development costs and the club membership, are amortised on a straight-line basis over the estimated useful lives:

Patents	8 - 10 years
Licences	8 - 10 years
Computer software	3 - 10 years

17. INTANGIBLE ASSETS - *continued*

All of the Group's computer software was acquired from third parties. Licences and certain of the above patents were purchased as part of a business combination in prior years. As at 31 December 2021, patents with carrying amount of RMB67,011,000 (2020:RMB26,358,000) were internally generated.

Development costs are internally generated. The development costs represent relating costs of design, development, production of certain structural heart diseases products and peripheral vascular diseases. The estimated useful lives of these projects will be determined after completion based on expected period of time to generate probable future economic benefits for the Group from the projects.

The membership represent corporate membership with golf clubs which is lifetime membership. As such, the golf club membership is considered by the Group as having indefinite useful life and will not be amortised. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

18. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Cost of investment in associates	**25,212**	15,551
Share of post-acquisition loss and other comprehensive expense	**(3,692)**	(2,822)
	21,520	12,729

The following set out the particulars of the associates of the Group as at 31 December 2021 and 2020, which in the opinion of the directors, principally affected the results or net assets of the Group:

Name of entities	Country of incorporation	Place of business	Proportion of ownership interest held by the Group		Principle activities
			2021	2020	
深圳高性能醫療器械國家研究院有限公司 ("Joint Laboratory") (Note i)	The PRC	The PRC	**10.42%**	10.42%	Developing medical devices
Shenzhen Cardio	The PRC	The PRC	**31.62%**	32.45%	Developing, manufacturing and trading of medical devices
深圳市領先醫療服務有限公司 ("Advanced Medical")(Note ii)	The PRC	The PRC	**40%**	100%	Consulting and technology services

Notes:

(i) The Group continues to be able to exercise significant influence over Joint Laboratory because the Group is entitled to appoint one of the five directors under its Articles of Association.

(ii) During the year ended 31 December 2021, the Group disposed 60% of the equity shares in Advanced Medical. Upon the completion of the disposal, Advanced Medical became an associate of the Group. The Group is able to exercise the significant influence over Advanced Medical.

All of these associates are accounted for using the equity method in these consolidated financial statements. The Group considers none of its associates is individually material.

Financial information of these companies has not been disclosed since these associates are immaterial to the Group.

19. FINANCIAL ASSETS AT FVTPL

	2021 RMB'000	2020 RMB'000
Financial assets mandatorily measured at FVTPL:		
Current assets		
Short-term bank structured deposits (note 38)	199,000	—
Non-current assets		
Unlisted participating shares (Note i)	—	265,794
Unlisted fund		
– Equity fund (Note ii)	17,157	92,504
– Hybrid fund (Note iii)	9,953	—
	27,110	358,298

Notes:

i. On 10 May 2018, the Group entered into a subscription agreement with an independent third party pursuant to which the Group agreed to subscribe for participating shares of ABG-Grail, a limited company established in the British Virgin Islands, as a participating shareholder, for an aggregate consideration of USD20,000,000 (equivalent to approximately RMB127,340,000) in cash. ABG-Grail principally invests in unlisted shares of a company established in the United States which engages in cancer research and early cancer detection.

ii. On 25 May 2018, the Group entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for interest of the Equity Fund, as a limited partner, for an aggregate consideration of USD6,000,000 (equivalent to approximately RMB38,202,000) in cash. The Equity Fund principally invests in securities or assets of companies that are involved in the healthcare industry, with a particular focus on cross-border innovative late-stage venture opportunities and cross-over investments.

iii. On 8 January 2021, the Group entered into a contract to purchase a hybrid fund unit ("Hybrid Fund") with a financial institution, which was accounted for as financial assets at FVTPL on initial recognition, for a consideration of RMB10,000,000 in cash. As at 31 December 2021, the fair value of the Hybrid Fund is RMB9,953,000 per the investment statement of the financial institution. The fair value loss in the amount of RMB47,000 was recognised in profit or loss in the current year.

The Equity Fund and ABG-Grail are managed by fund/investment managers, and the Group does not have rights to engage in the management of the Equity Fund and ABG-Grail. The Group, as a limited partner in the Equity Fund and a holder of participating shares in ABG-Grail, does not have the rights to participate in the financial and operating policy decisions of the Equity Fund and ABG-Grail. As such, the Group does not have significant influence over the Equity Fund and ABG-Grail, and therefore they are not accounted for as associates.

19. FINANCIAL ASSETS AT FVTPL - *continued*

The Equity Fund and ABG-Grail are accounted for as financial assets at FVTPL in accordance with IFRS 9. Details of the fair value measurement of the Equity Fund and ABG-Grail are disclosed in note 38(c). In the opinion of the directors of the Company, the Equity Fund and ABG-Grail are held for long-term strategic investment purposes and as such, the investments are classified as non-current.

The Group holds 9.69% interest in the Equity Fund and 26.67% interest in ABG-Grail at the end of reporting period.

During the year ended 31 December 2021, the Equity Fund distributed dividend income of approximately RMB47,800,000 (2020: approximately RMB10,000,000) to the Group.

During the year ended 31 December 2021, ABG-Grail disposed the unlisted shares and distributed USD42,896,000 (equivalent to approximately RMB277,265,000) to the Group in relation to the pro rata share of ABG-Grail's investment.

The fair values of the Equity Fund are determined by an independent professional valuer, GW Financial Advisory Services Limited. Details about valuation techniques and key inputs are disclosed in note 38(c).

20. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**46,998**	35,896

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Government grant RMB'000	Impairment loss on financial assets RMB'000	Impairment loss on inventories RMB'000	Share option incentive RMB'000	Unrealised profit on inventories RMB'000	Right-of-use assets and lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	6,838	1,022	739	4,370	8,429	(148)	11,050	32,300
(Charge) credit to profit or loss	(2,297)	1,171	506	(1,840)	2,843	4	3,209	3,596
At 31 December 2020	4,541	2,193	1,245	2,530	11,272	(144)	14,259	35,896
(Charge) credit to profit or loss	902	(1,269)	116	2,641	2,134	40	6,538	11,102
At 31 December 2021	**5,443**	**924**	**1,361**	**5,171**	**13,406**	**(104)**	**20,797**	**46,998**

20. DEFERRED TAX ASSETS - *continued*

At the end of the reporting period, the Group has unused tax losses of approximately RMB140,881,000 (2020: RMB92,764,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,464,477,000 (2020: RMB1,236,607,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

21. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	42,675	35,996
Work in progress	38,200	20,394
Finished goods	48,411	43,233
	129,286	99,623

22. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables from contracts with customers	113,879	119,245
Less: allowance for credit losses	(3,843)	(12,110)
	110,036	107,135

Trade receivables mainly arose from sales of medical devices.

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB 72,549,000.

22. TRADE RECEIVABLES - *continued*

The Group normally allows a credit period of 30 to 180 days (2020: 30 to 180 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2021 RMB'000	2020 RMB'000
1 to 90 days	78,327	76,019
91 to 180 days	25,726	18,098
181 to 365 days	5,745	11,468
Over 365 days	238	1,550
	110,036	107,135

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB14,303,000 (2020: RMB20,742,000) which are past due as at the reporting date. Out of the past due balances, RMB2,978,000 (2020: RMB1,145,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables for the years ended 31 December 2021 and 2020 are set out in note 38.

23. OTHER RECEIVABLES AND PREPAYMENTS

	2021 RMB'000	2020 RMB'000
Other debtors (Note)	51,923	37,592
Prepayments	28,242	14,494
Advance to employees - interest free	37,514	32,057
Rental deposits	2,745	2,514
Other deposits	950	756
	121,374	87,413

Note: Amounts are unsecured and interest-free. In the opinion of the directors, the Group will demand for repayments within one year from the end of reporting period and the amounts are therefore considered as current.

Included in the amount as at 31 December 2021 was the balance to an associate amounting to RMB3,413,000. Details of the relevant transactions are set out in note 40.

Details of impairment assessment of other receivables for the years ended 31 December 2021 and 2020 are set out in note 38.

24. BANK BALANCES AND FIXED BANK DEPOSITS/PLEDGED BANK DEPOSITS/CASH

(a) Included in the amount as at 31 December 2021 was the fixed bank deposits amounting to RMB108,112,000 (2020: RMB170,992,000) represents mature within twelve months from the end of the reporting period with fixed rates ranged from 0.29% to 2.70% per annum (2020: 0.67% to 1.79% per annum), and is therefore classified as current assets. The other bank deposit amounting to RMB50,000,000 (2020: RMB50,000,000) represents two-year deposit with fixed a rate of 2.8% per annum, which is due in May 2022. The deposit is classified as current assets as the deposit will mature within twelve months from the end of the reporting period.

(b) Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. As at 31 December 2020, the deposits amounting to RMB108,000,000 with fixed rates ranged from 1.40% to 3.17% per annum have been pledged to secure certain bank borrowings of the Group. The deposits are classified as current assets as the bank borrowings are repayable within one year.

(c) The Group's bank balances carry interest at prevailing market rates which range from 0.01% to 0.35% (2020: 0.01% to 0.35%) per annum.

25. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	30,756	18,714
Other payables:		
Government grants (note 27)	4,205	5,138
Accrued payroll and bonus	69,325	63,488
Rental deposits	6,465	6,902
Refund liabilities (Note i)	109,211	57,895
Other payables (Note ii)	32,009	22,969
Construction payables	9,820	9,916
Accrued expenses	158,781	74,646
Value-added tax payables	6,391	3,750
Other tax payables	2,647	1,628
	398,854	246,332
	429,610	265,046

Notes:

(i) The refund liabilities are arisen from outstanding rebates in relation to the goods sold to certain customers.

(ii) Included in the amount as at 31 December 2021 was the balance to an associate amounting to RMB4,581,000. Details of the relevant transactions are set out in note 40.

25. TRADE AND OTHER PAYABLES - *continued*

The credit period granted by suppliers to the Group ranged from 30 to 120 days (2020: 30 to 120 days). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
0 - 30 days	27,895	15,872
31 - 60 days	1,865	1,711
61 - 90 days	653	691
91 - 120 days	15	331
Over 120 days	328	109
	30,756	18,714

26. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Medical devices	7,223	14,216

As at 1 January 2020, contract liabilities amounted to RMB5,408,000.

Contract liabilities that are expected to be settled within the Group's normal operating cycle, are classified as current based on the Group's earliest obligation to transfer goods or services to the customers.

The following table shows the amount of the revenue recognised relates to carried-forward contract liabilities.

	Medical devices RMB'000
For the year ended 31 December 2021	
Revenue recognised that was included in the contract liability balance at the beginning of the year	8,850

	Medical devices RMB'000
For the year ended 31 December 2020	
Revenue recognised that was included in the contract liability balance at the beginning of the year	5,058

26. CONTRACT LIABILITIES - *continued*

Typical payment terms which impact on the amount of contract liabilities recognised related to contract with customer for sales of medical devices when the Group receives a deposit before the production activity commences. This will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

27. GOVERNMENT GRANTS

	2021 **RMB'000**	2020 RMB'000
Government grants related to assets:		
At beginning of the year	**35,423**	44,728
Additions	**6,000**	6,539
Released to profit or loss	**(5,138)**	(15,844)
At end of the year	**36,285**	35,423

	2021 **RMB'000**	2020 RMB'000
Classified as:		
Current liabilities (included in other payables)	**4,205**	5,138
Non-current liabilities	**32,080**	30,285
	36,285	35,423

Government grants include subsidies in relation to the acquisition of plant and equipment and the research and development of medical devices. The amount is transferred to income on a systematic basis over the estimated useful lives of the related assets.

During the year ended 31 December 2021, the Group recognised income of RMB21,913,000 (2020: RMB21,349,000) of which RMB16,775,000 (2020: RMB5,505,000) is directly received and recognised in profit or loss.

28. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Secured bank borrowings (Note)	–	39,965
Unsecured bank borrowings	–	134,497
	–	174,462
The carrying amounts of the above borrowings are repayable*:		
Within one year	–	174,462
	–	174,462
Less: Amounts due within one year shown under current liabilities	–	(174,462)
Amounts shown under non-current liabilities	–	–

* The amounts due were based on scheduled repayment dates set out in the loan agreements.

Note: As at 31 December 2020, the Group's secured bank borrowing was secured by pledged bank deposits of RMB108,000,000.

During the year ended 31 December 2020, the Group's unsecured fixed-rate borrowing carried interest at the rate of 4.35% per annum, and the Group's variable-rate bank borrowings carried interests ranged from 2.10% to 2.60% above London InterBank Offered Rate ("LIBOR").

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings were as follows:

	2021	2020
Effective interest rate per annum:		
Fixed-rate borrowing	–	4.35%
Variable-rate borrowings	–	2.37% to 3.68%

28. BANK BORROWINGS - *continued*

The Group's borrowings that were denominated in currencies other than the functional currencies of the relevant group entities were set out below:

	Hong Kong Dollars ("HKD") RMB'000	United States Dollars ("USD") RMB'000
As at 31 December 2020	—	124,462

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Advances from third parties	135,000	67,500

During the year ended 31 December 2020, Lifetech Shenzhen, a wholly-owned subsidiary of the Company, entered into a shareholders' agreement with certain independent third parties for issuance of shares of Biotyx Medical, a subsidiary of Lifetech Shenzhen, with a total consideration of RMB135,000,000. Pursuant to the agreement, during the year ended 31 December 2020, Biotyx Medical received the first capital injection of RMB67,500,000. During the year ended 31 December 2021, Biotyx Medical received the second capital injection of RMB67,500,000.

Pursuant to the abovementioned shareholder's agreement, if Biotyx Medical is unable to meet certain specified conditions under agreed timeframe, the holders of these shares will have the right to require Biotyx Medical to redeem all of their shares at the predetermined consideration. Accordingly, these shares are classified as a financial liability.

Through financial risk management measures as detailed in note 38, the Group expects that it will be able to satisfy its redemption obligations in the case that the above specific conditions happen.

30. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	11,045	6,846
Within a period of more than one year but not more than two years	2,800	2,583
Within a period of more than two years but not more than five years	1,826	2,090
	15,671	11,519
Less: Amount due for settlement within 12 months shown under current liabilities	(11,045)	(6,846)
Amount due for settlement after 12 months shown under non-current liabilities	4,626	4,673

The weighted average incremental borrowing rates applied to lease liabilities is 5.82% (2020: 5.82%).

31. SHARE CAPITAL

	Number of shares	Amount USD
Ordinary shares		
Authorised:		
At 1 January 2020, 31 December 2020 and 2021 at USD0.00000125 each	40,000,000,000	50,000

31. SHARE CAPITAL - *continued*

	Number of shares	Amount USD	Shown in the consolidated statement of financial position as RMB'000
Issued and fully paid:			
At 1 January 2020	4,320,033,200	5,401	35
Exercise of share options	19,645,200	25	—
Issue of new share (Note)	287,320,000	359	2
At 31 December 2020	4,626,998,400	5,785	37
Exercise of share options	3,032,000	4	— *
At 31 December 2021	**4,630,030,400**	**5,789**	**37**

* Less than RMB1,000

Note: Pursuant to a placing agreement dated 4 December 2020, a total of 287,320,000 new shares have been issued and allotted on 11 December 2020 at the placing price of HKD3.2368 (equivalent to RMB2.7312) per ordinary share to no less than six placees, who and whose respective ultimate beneficial owners are independent of the Company and the connected persons of the Company. These new shares were issued under a general mandate granted to the board of directors at the AGM of the Company held on 28 May 2020 and rank pari passu in all respects with other shares in issue.

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current assets		
Property, plant and equipment	1,086	1,474
Interests in subsidiaries	317,121	295,561
	318,207	297,035
Current assets		
Other receivables	1,796	3,292
Amounts due from subsidiaries	169,530	253,894
Bank balances and cash	482,385	541,533
	653,711	798,719
Current liabilities		
Other payables	8,579	4,090
Amounts due to subsidiaries	156,950	10,099
Bank borrowings	—	84,497
Tax payables	7,526	7,527
	173,055	106,213
Net current assets	480,656	692,506
Net assets	798,863	989,541
Capital and Reserves		
Share capital	37	37
Reserves	798,826	989,504
Total equity	798,863	989,541

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY - *continued*

Movement in reserves

	Share premium RMB'000	Share option reserve RMB'000	Shares held for Share Award Scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	777,668	74,347	(339,596)	(301,250)	211,169
Recognition of equity-settled share-based payments	—	3,294	151,239	—	154,533
Exercise of share options	39,800	(14,249)	—	—	25,551
Issue new shares, net of transaction costs	790,477	—	—	—	790,477
Loss and the total comprehensive expense for the year	—	—	—	(192,226)	(192,226)
At 31 December 2020	1,607,945	63,392	(188,357)	(493,476)	989,504
Recognition of equity-settled share-based payments	—	21,560	—	—	21,560
Exercise of share options	5,794	(2,085)	—	—	3,709
Exercise of awarded shares	7,314	—	6,816	—	14,130
Purchase of shares under Share Award Scheme	—	—	(170,520)	—	(170,520)
Loss and the total comprehensive expense for the year	—	—	—	(59,557)	(59,557)
At 31 December 2021	**1,621,053**	**82,867**	**(352,061)**	**(553,033)**	**798,826**

33. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option scheme

The 2011 Share Option Scheme

The Company adopted a share option scheme (the "2011 Share Option Scheme") on 22 October 2011, which was amended by unanimous written resolutions of the board on 5 May 2015. The purpose of the 2011 Share Option Scheme is to enable the Company to grant options to full-time or part-time employees, directors (including executive, non-executive or independent non-executive) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any of our subsidiaries (the "Share Option Scheme Eligible Participants") as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Share Option Scheme Eligible Participants.

Subject to the fulfilment of the conditions of the 2011 Share Option Scheme and the earlier termination by shareholders' resolution in general meeting or the board, the 2011 Share Option Scheme shall be valid and effective for a period of ten years commencing from 22 October 2011, after which period no further options will be offered or granted but the provisions of the 2011 Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the 2011 Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the 2011 Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at the listing date on 10 November 2011 (the "2011 Scheme Mandate Limit") (such 10% being equivalent to 400,000,000 shares based on 4,000,000,000 subdivided shares in issue) unless shareholders' approval has been obtained. Any options lapsed in accordance with the terms of the 2011 Share Option Scheme or any other share option scheme of the Group shall not be counted for the purpose of calculating the 2011 Scheme Mandate Limit.

Unless approved by the shareholders in the manner set out in the 2011 Share Option Scheme, the total number of shares issued and to be issued upon exercise of the options granted to each Share Option Scheme Eligible Participant (including both exercised and outstanding options under the Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company.

An offer of grant of an option shall remain open for acceptance by the Share Option Scheme Eligible Participants concerned for such period as determined by the board, which period shall not be more than fourteen days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the 22 October 2011 or after the 2011 Share Option Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HKD1 to the Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price.

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2011 Share Option Scheme - continued

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the 2011 Share Option Scheme. However, the board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such options can be exercised as the board may determine in its absolute discretion.

The subscription price for shares in respect of any particular option granted under the 2011 Share Option Scheme shall be such price as the board shall determine, provided that such price shall be at least the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option; and (iii) the nominal value of a share.

The following table discloses movements of the 2011 Share Option Scheme held by directors and employees during the year ended 31 December 2021:

Types	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year (Note)	Outstanding at 31 December 2021
Share options granted on 5 May 2015:					
Batch I	12,096,400	—	(280,400)	—	11,816,000
Batch II	13,633,600	—	(980,400)	—	12,653,200
Batch III	15,052,400	—	(957,600)	—	14,094,800
Batch IV	16,190,800	—	(517,600)	—	15,673,200
Batch V	16,248,400	—	(296,000)	—	15,952,400
Share options granted on 31 March 2021:					
Batch I	—	9,996,000	—	(720,000)	9,276,000
Batch II	—	9,996,000	—	(720,000)	9,276,000
Batch III	—	13,328,000	—	(960,000)	12,368,000
Total	73,221,600	33,320,000	(3,032,000)	(2,400,000)	101,109,600
Exercisable at the end of the year					70,189,600
Weighted average exercise price	HKD1.464	HKD3.570	HKD1.464	HKD3.570	HKD2.108

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2011 Share Option Scheme - continued

The following table discloses movements of the 2011 Share Option Scheme held by directors and employees during the year ended 31 December 2020:

Types	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year (Note)	Outstanding at 31 December 2020
Share options granted on 5 May 2015:					
Batch I	17,071,200	—	(4,974,800)	—	12,096,400
Batch II	18,012,800	—	(4,379,200)	—	13,633,600
Batch III	19,094,400	—	(3,987,200)	(54,800)	15,052,400
Batch IV	20,074,400	—	(3,828,800)	(54,800)	16,190,800
Batch V	18,962,400	—	(2,475,200)	(238,800)	16,248,400
Total	93,215,200	—	(19,645,200)	(348,400)	73,221,600
Exercisable at the end of the year					73,221,600
Weighted average exercise price	HKD1.464	—	HKD1.464	HKD1.464	HKD1.464

In respect of the share options exercised during the year, the closing market price (weighted average) immediately before the dates on which the share options exercised was HKD4.810 (2020: HKD2.462).

Note: Certain employees resigned during the year and respective share options lapsed accordingly.

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2011 Share Option Scheme - continued

Details of specific categories of share options are as follows:

Granted on 5 May 2015

Types	Vesting period	Exercisable period	Grant date fair value per option HKD
Batch I	12 months	5 May 2016 - 4 May 2025	0.8124
Batch II	24 months	5 May 2017 - 4 May 2025	0.8213
Batch III	36 months	5 May 2018 - 4 May 2025	0.8267
Batch IV	48 months	5 May 2019 - 4 May 2025	0.8323
Batch V	60 months	5 May 2020 - 4 May 2025	0.8428

Fair value of share options granted	HKD132,338,000

Granted on 31 March 2021

Types	Vesting period	Exercisable period	Grant date fair value per option HKD
Batch I	12 months	31 March 2022 - 30 March 2031	1.4360
Batch II	24 months	31 March 2023 - 30 March 2031	1.5833
Batch III	36 months	31 March 2024 - 30 March 2031	1.7154

Fair value of share options granted	HKD53,044,000

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2011 Share Option Scheme - continued

In respect of the share options granted on 5 May 2015 and 31 March 2021, the fair values were calculated using the Binomial Model. The inputs into the model were as follows:

Batch	Number of options	Expected life year	Initial underlying HKD	Exercise price HKD	Risk free rate %	Dividend yield %	Volatility %
Share options granted on 5 May 2015:							
Batch I	32,000,000	7.75	1.410	1.464	1.51	—	55.33
Batch II	32,000,000	8.00	1.410	1.464	1.52	—	55.12
Batch III	32,000,000	8.25	1.410	1.464	1.53	—	54.62
Batch IV	32,000,000	8.50	1.410	1.464	1.55	—	54.18
Batch V	32,000,000	8.75	1.410	1.464	1.56	—	54.19
Share options granted on 31 March 2021:							
Batch I	9,996,000	10.00	3.570	3.570	1.33	—	51.35
Batch II	9,996,000	10.00	3.570	3.570	1.33	—	51.35
Batch III	13,328,000	10.00	3.570	3.570	1.33	—	51.35

The Binomial Model had been used to estimate the fair value of the options. The model involves the construction of a binomial lattice which represents different possible paths that might be followed by the stock price over the life of the options. In developing the binomial lattice, the life of the options is divided into various time steps. In each time step there is a binomial stock price movement. The main inputs to the model include the share price of the Company, exercise price, exercise multiple, risk-free rate, expected volatility, dividend yield and expected life of the options. Expected volatility was determined by the historical share price of comparable companies in the relevant period.

For the year ended 31 December 2021, the Group recognised approximately RMB13,382,000 (2020: approximately RMB2,739,000) share-based payment expenses in profit or loss in relation to the 2011 Share Option Scheme, of which, approximately RMB792,000 (2020: approximately RMB67,000) was included in cost of sales, approximately RMB3,694,000 (2020: approximately RMB975,000) was included in research and development expenses, approximately RMB3,220,000 (2020: approximately RMB1,491,000) was included in administrative expenses and approximately RMB5,676,000 (2020: approximately RMB206,000) was included in selling and distribution expenses. In addition, approximately RMB1,277,000 (2020: approximately RMB555,000) was capitalised in development costs.

The 2021 Share Option Scheme

The Company terminated the 2011 Share Option Scheme and adopted a new share option scheme ("2021 Share Option Scheme") at the EGM held on 17 September 2021.

On 12 November 2021, the Company granted 101,800,000 share options to eligible employees under the 2021 Share Option Scheme.

On 10 December 2021, the Company granted 35,000,000 share options to eligible employees and consultants under the 2021 Share Option Scheme. The fair value of the options granted to employees at the date of grant was HKD21,350,000 (equivalent to RMB17,455,000). The Group measures the fair value of share options granted to the consultants will measure by reference to the fair values of services rendered. As at year ended 31 December 2021, there is no services rendered to the Group.

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2021 Share Option Scheme - continued

The following table discloses movements of the 2021 Share Option Scheme during the year ended 31 December 2021:

Types	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2021
Share options granted on 12 November 2021:					
Batch I	—	10,180,000	—	—	10,180,000
Batch II	—	15,270,000	—	—	15,270,000
Batch III	—	20,360,000	—	—	20,360,000
Batch IV	—	25,450,000	—	—	25,450,000
Batch V	—	30,540,000	—	—	30,540,000
Share options granted on 10 December 2021:					
Employees					
Batch I	—	1,100,000	—	—	1,100,000
Batch II	—	1,650,000	—	—	1,650,000
Batch III	—	2,200,000	—	—	2,200,000
Batch IV	—	2,750,000	—	—	2,750,000
Batch V	—	3,300,000	—	—	3,300,000
Consultants					
Batch I	—	2,400,000	—	—	2,400,000
Batch II	—	3,600,000	—	—	3,600,000
Batch III	—	4,800,000	—	—	4,800,000
Batch IV	—	6,000,000	—	—	6,000,000
Batch V	—	7,200,000	—	—	7,200,000
Total	—	136,800,000	—	—	136,800,000
Exercisable at the end of the year					—
Weighted average exercise price	—	HKD3.654	—	—	HKD3.654

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2021 Share Option Scheme - continued

Details of specific categories of share options are as follows:

Granted on 12 November 2021

Types	Vesting period	Exercisable period	Grant date fair value per option HKD
Batch I	18 months	30 April 2023 - 11 November 2031	1.5815
Batch II	30 months	30 April 2024 - 11 November 2031	1.7065
Batch III	42 months	30 April 2025 - 11 November 2031	1.8149
Batch IV	54 months	30 April 2026 - 11 November 2031	1.9084
Batch V	66 months	30 April 2027 - 11 November 2031	1.9890

Fair value of share options granted	HKD188,423,000

Granted on 10 December 2021

Types	Vesting period	Exercisable period	Grant date fair value per option HKD
Batch I	17 months	30 April 2023 - 9 December 2031	1.6531
Batch II	29 months	30 April 2024 - 9 December 2031	1.7860
Batch III	41 months	30 April 2025 - 9 December 2031	1.9021
Batch IV	53 months	30 April 2026 - 9 December 2031	2.0023
Batch V	65 months	30 April 2027 - 9 December 2031	2.0889

Fair value of share options granted	HKD21,350,000

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2021 Share Option Scheme - continued

In respect of the share options granted on 12 November 2021 and 10 December 2021, the fair values were calculated using the Binomial Model. The inputs into the model were as follows:

	Share options granted on 12 November 2021	Share options granted on 10 December 2021
Stock price (representing the closing price of the shares of the Company on the date of grant)	HKD3.590	HKD3.800
Exercise price	HKD3.590	HKD3.836
Expected volatility	51.53%	51.54%
Risk-free rate	1.39%	1.37%
Expected life period	10 years	10 years
Expected dividend yield	—	—

The Binomial Model had been used to estimate the fair value of the options. The model involves the construction of a binomial lattice which represents different possible paths that might be followed by the stock price over the life of the options. In developing the binomial lattice, the life of the options is divided into various time steps. In each time step there is a binomial stock price movement. The main inputs to the model include the share price of the Company, exercise price, exercise multiple, risk-free rate, expected volatility, dividend yield and expected life of the options. Expected volatility was determined by the historical share price of comparable companies in the relevant period.

For the year ended 31 December 2021, the Group recognised approximately RMB6,352,000 (2020: nil) share-based payment expenses in profit or loss in relation to the 2021 Share Option Scheme, of which, approximately RMB470,000 (2020: nil) was included in cost of sales, approximately RMB1,656,000 (2020: nil) was included in research and development expenses, approximately RMB890,000 (2020: nil) was included in administrative expenses and approximately RMB3,336,000 (2020: nil) was included in selling and distribution expenses. In addition, approximately RMB549,000 (2020: nil) was capitalised in development costs.

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(b) Share Award Scheme

On 28 December 2018, the Company adopted the Share Award Scheme. The purpose of the Share Award Scheme is to (i) recognise and motivate the contributions by certain 2019 SAS Eligible Participants and to incentivise them and retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain 2019 SAS Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and certain 2019 SAS Eligible Participants.

Pursuant to the rules of the Share Award Scheme, the board shall not make any further grant of Award Shares such that the total number of shares granted under the Share Award Scheme will exceed 10% of the total number of issued shares as at 28 December 2018 (the "2019 SAS Adoption Date"). The maximum number of Award shares that may be granted under the Share Award Scheme is 433,629,120 shares.

Based on an unanimous written resolutions of the board of directors of the Company dated 29 September 2020, pursuant to the grant notices and vesting notices to 2019 SAS Eligible Participants dated the same date, a total of 312,620,000 shares of the Company have been granted by the Company to certain senior management/employees at a price of HKD1.35 per share and fully vested at the same date under Share Award Scheme. There were no vesting conditions attached to such Awarded Shares.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on 28 December 2018 after which no further Award Shares may be offered.

The following table discloses movements of Share Award Scheme during the year ended 31 December 2021:

	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2021
Granted on 29 September 2020:	312,620,000	—	(12,645,000)	—	299,975,000
Total	312,620,000	—	(12,645,000)	—	299,975,000
Exercisable at the end of the year					299,975,000
Exercise price					HKD1.35

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(b) Share Award Scheme - *continued*

The following table discloses movements of Share Award Scheme during the year ended 31 December 2020:

	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2020
Granted on 29 September 2020:	—	312,620,000	—	—	312,620,000
Total	—	312,620,000	—	—	312,620,000
Exercisable at the end of the year					312,620,000
Exercise price					HKD1.35

For the year ended 31 December 2020, the Group recognised approximately RMB151,239,000 share-based payment expenses in the profit or loss, including approximately RMB49,984,000 in research and development expenses, approximately RMB19,022,000 in administration expenses and approximately RMB82,233,000 in selling and distribution expenses to the consolidated statement of profit or loss.

34. OPERATING LEASES ARRANGEMENTS

The Group as lessor

All of the investment properties held by the Group for rental purpose have committed leases for the next 1 and 10 years.

Undiscounted lease payments receivable on leases are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	31,354	37,481
In the second to third years inclusive	16,713	30,083
In the third to fourth years inclusive	10,654	13,959
In the fourth to fifth years inclusive	9,200	9,943
In the fifth to sixth years inclusive	5,701	8,469
Over six years	3,607	8,593
	77,229	108,528

35. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the consolidated financial statements	128,396	283,505

36. RETIREMENT BENEFITS SCHEME

The Group operates numbers of defined contribution plans across its geographies, the PRC retirement benefit scheme is the retirement arrangement of material size. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The Group operates a MPF Scheme for all qualifying employees in Hong Kong.

The total cost paid or payable of approximately RMB18,275,000 for the year ended 31 December 2021 (2020: RMB4,673,000).

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 28, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure mainly through new share issues and share buy-backs.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Mandatorily measured at FVTPL		
– Short-term bank structured deposits	199,000	—
– Unlisted fund	27,110	92,504
– Unlisted participating shares	—	265,794
Amortised cost	1,411,936	1,469,216
Financial liabilities		
Designated at FVTPL	135,000	67,500
Amortised cost	79,050	290,858
Lease liabilities	15,671	11,519

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade receivables, other receivables, fixed bank deposits, pledged bank deposits, bank balances and cash, trade and other payables, financial liabilities at FVTPL, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances, certain financial assets at FVTPL, certain trade receivables, certain other receivables and certain trade and other payables are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rates.

38. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Market risk - continued

Currency risk - continued

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting date are as follows:

	2021 RMB'000	2020 RMB'000
Assets		
USD	307,963	478,022
Euro ("EUR")	69,838	92,353
Hong Kong Dollars ("HKD")	389,306	626,553
India Rupees ("INR")	12,077	13,813
Canadian Dollars ("CAD")	206	350
Liabilities		
USD	12,393	133,843
EUR	1,928	2,331
INR	594	373

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2020: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

For the years ended 31 December 2021 and 2020, a positive (negative) number below indicates an increase (a decrease) in profit after tax where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit after tax for the year.

38. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Market risk - continued

Currency risk - continued

Sensitivity analysis - continued

	2021 RMB'000	2020 RMB'000
USD		
Profit or loss	(12,562)	(14,628)
EUR		
Profit or loss	(2,886)	(3,826)
HKD		
Profit or loss	(16,546)	(26,629)
INR		
Profit or loss	(488)	(571)
CAD		
Profit or loss	(9)	(15)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, and lease liabilities (see notes 24, and 30 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 24 for details), The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Management consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant as the management does not anticipate a material change in interest rate on bank balances.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR and Hong Kong InterBank Offered Rate arising from the Group's USD dominated bank borrowings for the year ended 31 December 2020.

The management of the Group considers that the impact to profit or loss for the year ended 31 December 2021 are insignificant for a reasonable change in the market interest rate. Accordingly, no sensitivity analysis is prepared.

38. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Market risk - continued

Other price risk

The Group is exposed to equity price risk through its investment in the unlisted equity fund measured at FVTPL. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analysis for unlisted equity fund with fair value measurement categorised within Level 3 were disclosed in note 38(c).

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, fixed bank deposits, bank balances and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial instruments.

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances collectively using collective assessment with internal credit rating. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 60% (2020: 84%) of the total trade receivables was due from the Group's five largest customers. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 70% (2020: 32%) of the total debtors as at 31 December 2021.

Other receivables/bank balances/bank deposits

Although the bank balances and bank deposits are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

The Group performs impairment assessment under ECL model for other receivables collectively using collective assessment with internal credit rating.

Other than the concentration of the credit risk on trade receivables, the Group do not have any other significant concentration of credit risk.

38. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Credit risk and impairment assessment - continued

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL –not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2021 Gross carrying amount		2020 Gross carrying amount	
					RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost								
Pledged bank deposits	24	AA+	N/A	12m ECL		–		108,000
Bank balances	24	AA+	N/A	12m ECL		1,119,264		971,501
Fixed bank deposits	24	AA+	N/A	12m ECL		158,112		220,992
Other receivables	23	N/A	Low risk	12m ECL	12,310		18,059	
			Watch List	12m ECL	51,524	63,834	45,850	63,909
Trade receivables	22	N/A	(Note)	Lifetime ECL	111,723		117,464	
			Loss	Credit-impaired	2,156	113,879	1,781	119,245

* The gross carrying amounts disclosed above include the relevant interest receivables which presented in other receivables.

38. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Credit risk and impairment assessment - continued

Note:

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items on a collective basis, grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its sales operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on collective assessment within lifetime ECL (not credit-impaired). As at 31 December 2021, debtors with credit-impaired with gross carrying amounts of RMB2,156,000 (31 December 2020: RMB1,781,000) were assessed individually.

Internal credit rating	Average loss rate	2021 Trade receivables RMB'000
Low risk	0.09%	88,163
Watch list	1.98% - 4.81%	15,204
Doubtful	5.76% - 53.78%	8,356
		111,723

Internal credit rating	Average loss rate	2020 Trade receivables RMB'000
Low risk	0.11%	78,868
Watch list	2.49% - 6.06%	19,271
Doubtful	7.89% - 73.81%	19,325
		117,464

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

38. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Credit risk and impairment assessment - continued

Note: - *continued*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	3,671	1,977	5,648
Changes due to financial instruments recognised as at 1 January 2020			
- Impairment losses reversed	(1,322)	(1,953)	(3,275)
New financial assets originated	7,980	1,757	9,737
As at 31 December 2020	10,329	1,781	12,110
Changes due to financial instruments recognised as at 1 January 2021			
- Impairment losses reversed	(10,119)	(256)	(10,375)
New financial assets originated	1,477	631	2,108
As at 31 December 2021	1,687	2,156	3,843

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The following table shows the movement in 12m ECL that has been recognised for other receivables.

	12m ECL RMB'000
As at 1 January 2020	1,157
Changes due to financial instruments recognised as at 1 January 2020	
– Impairment losses reversed	(840)
New financial assets originated	2,186
As at 31 December 2020	2,503
Changes due to financial instruments recognised as at 1 January 2021	
– Impairment losses reversed	(1,192)
New financial assets originated	949
As at 31 December 2021	2,260

38. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is driven from interest rate at the end of reporting period.

Liquidity and interest risk tables

	Interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 - 5 years RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2021							
Non-derivative financial liabilities							
Trade and other payables	–	76,189	1,865	996	–	79,050	79,050
Financial liability at FVTPL	10	–	–	–	216,000	216,000	135,000
Lease liabilities	5.82	–	2,813	8,829	4,826	16,468	15,671
Total		76,189	4,678	9,825	220,826	311,518	229,721
At 31 December 2020							
Non-derivative financial liabilities							
Trade and other payables	–	113,554	1,711	1,131	–	116,396	116,396
Lease liabilities	5.82	–	3,261	4,018	4,935	12,214	11,519
Bank borrowings	2.37 – 4.35	–	50,965	125,328	–	176,293	174,462
Financial liability at FVTPL	10	–	–	–	108,000	108,000	67,500
Total		113,554	55,937	130,477	112,935	412,903	369,877

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial assets are measured at fair value for financial reporting purposes. For instruments with significant unobservable inputs under Level 3,the management of the Company engaged an independent qualified professional valuer to determine the appropriate valuation techniques and inputs for fair value measurements.

38. FINANCIAL INSTRUMENTS - *continued*

(c) Fair value measurements of financial instruments - *continued*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 December 2021

	2021 RMB'000	2020 RMB'000
Financial assets at FVTPL		
Short-term bank structured deposits	199,000	—
Unlisted fund		
– Equity fund	17,157	92,504
– Hybrid fund	9,953	—
Unlisted participating shares	—	265,794
Financial liability at FVTPL		
Advances from third parties	135,000	67,500

Financial assets/liability	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2021	31 December 2020			
Unlisted participating shares	—	Participating shares in a company engaged in investment in an unlisted company RMB265,794,000	Level 3	Adjusted net asset approach - in this approach, the net assets value of the investee is adjusted by using premium over net assets value of listed entities in similar industries	(2020:Premium of -1.54% over net assets value of listed entities in similar industries.)
Unlisted equity fund	Interests in a limited partnership engaged in fund investment - RMB17,157,000	Interests in a limited partnership engaged in fund investment - RMB92,504,000	Level 3	Adjusted net asset approach - in this approach, the net assets value of the investee is adjusted by using premium over net assets value of listed entities in similar industries	Premium of -2.23% (2020: -1.54%) over net assets value of listed entities in similar industries.
Unlisted hybrid fund	Interests in a limited partnership engaged in fund investment - RMB9,953,000	—	Level 1	Quoted bid prices in an active market	N/A
Short-term bank structured deposits with variable interest rate	RMB199,000,000	—	Level 2	Income approach – The discounted cash flow method was used to estimate the interest from the underlying bank deposits	N/A
Advances from third parties	RMB135,000,000	RMB67,500,000	Level 2	Recent transation approach	N/A

38. FINANCIAL INSTRUMENTS - *continued*

(c) Fair value measurements of financial instruments - *continued*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

An increase in the premium over net assets value used in isolation would result in an increase in the fair value measurement of unlisted equity fund. The directors of the Company believe that reasonable possible increase/decrease in the premium over net assets value rate was not significant to the consolidated financial statements. There is no transfer between different levels of the fair value hierarchy during the years ended 31 December 2021 and 2020.

(ii) Reconciliation of Level 3 fair value measurements

	Unlisted participating shares RMB'000	Unlisted equity fund RMB'000	Total RMB'000
At 1 January 2020	146,924	32,964	179,888
Gain from fair value changes	134,912	65,162	200,074
Unrealised foreign exchange loss	(16,042)	(5,622)	(21,664)
At 31 December 2020	265,794	92,504	358,298
Loss from fair value changes	—	(74,055)	(74,055)
Unrealised foreign exchange loss	—	(1,292)	(1,292)
Disposal	(265,794)	—	(265,794)
At 31 December 2021	**—**	**17,157**	**17,157**

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in consolidated financial statements, approximate their fair value.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000	Bank borrowings RMB'000	Financial liabilities at FVTPL RMB'000
At 1 January 2020	23,186	330,265	—
Recognition of lease liabilities	3,432	—	—
Financing cash flows	(16,091)	(208,307)	67,500
Interest expenses	992	24,700	—
Unrealised foreign exchange loss	—	27,804	—
At 31 December 2020	11,519	174,462	67,500
Recognition of lease liabilities	19,889	—	—
Financing cash flows	(12,088)	(176,416)	67,500
Interest expenses	655	1,954	—
Early termination of leases	(4,304)	—	—
At 31 December 2021	15,671	—	135,000

40. RELATED PARTY DISCLOSURES

(a) Significant related party transaction

Same as disclosed in notes 23 and 25, the Group entered into the following transactions with the related party during the year.

Relationships	Name of entity	Nature of transactions	2021 RMB'000
Associate	Advanced Medical	Consulting services	1,101
		Equipment leasing	878
			1,979

40. RELATED PARTY DISCLOSURES - *continued*

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended 31 December 2021 and 2020 were as follows:

	2021 RMB'000	2020 RMB'000
Share-based payment	—	2,484
Short-term employee benefits	13,245	5,884
Post-employment benefits	126	70
	13,371	8,438

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

41. PARTICULARS OF INTERESTS IN PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company 2021	2020	Principal activities
Lifetech Scientific India Private Ltd.	India	INR6,573,680	100%*	100%*	Trading of medical devices
Δ#Lifetech Shenzhen	The PRC	RMB100,000,000	100%	100%	Developing, manufacturing and trading of medical devices
LifeTech Scientific (Europe) Coöperatief U. A.	Netherlands	EUR2,000	100%*	100%*	Investment holding
LifeTech Scientific (Netherlands) B.V.	Netherlands	EUR18,000	100%*	100%*	Trading of medical devices
LifeTech Scientific Holdings Limited	British Virgin Islands	USD50,000	100%	100%	Investment holding
LifeTech Scientific Medical Devices Limited	British Virgin Islands	USD50,000	100%	100%	Investment holding
LifeTech Scientific International Investments Limited	British Virgin Islands	USD50,000	100%	100%	Investment holding
Lifetech Scientific America Corporation	USA	USD50,000	100%*	100%*	Investment holding

41. PARTICULARS OF INTERESTS IN PRINCIPAL SUBSIDIARIES OF THE COMPANY - *continued*

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company 2021	2020	Principal activities
LifeTech Scientific Trading Limited	Hong Kong	HKD1	100%	100%*	Trading of medical devices
LifeTech Hellas Import and Trade of Medical Devices Single Member Limited Liability Company	Greece	EUR30,000	100%*	100%*	Trading of medical devices
^Δ^深圳市先健呼吸科技有限公司	The PRC	RMB1,000,000	60%*	100%*	Biomedical research and development, consulting services
^Δ^東莞先健新材料科技有限公司	The PRC	RMB1,000,000	100%*	100%*	Developing, manufacturing and trading of new material
^Δ^Dongguan LifeTech	The PRC	RMB50,000,000	100%*	100%*	Developing, manufacturing and trading of medical devices, properties leasing
^Δ^深圳市先健暢通醫療有限公司	The PRC	RMB10,000,000	100%*	100%*	Developing, manufacturing and trading of medical devices
^Δ^Biotyx Medical	The PRC	RMB132,192,000	57.92%*	57.92%*	Developing, manufacturing and trading of medical devices, consulting and technical services

41. PARTICULARS OF INTERESTS IN PRINCIPAL SUBSIDIARIES OF THE COMPANY - *continued*

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company		Principal activities
			2021	2020	
Δ東莞先健量子醫療科技有限公司	The PRC	RMB10,000,000	50.1%*	50.1%*	Developing, manufacturing and trading of medical devices, technical services
Δ深圳市雲麻生物科技有限公司	The PRC	RMB20,000,000	60%*	60%*	The R&D, manufacturing and trading of materials for hemp, the R&D biotechnology
Δ雲南麻省健康科學有限公司	The PRC	RMB20,000,000	92%*	92%*	The R&D, manufacturing and trading of materials for hemp, the R&D of biotechnology
LifeTech Scientific Deutschland GmbH	Germany	EUR300,000	100%*	100%*	Trading of medical devices
Δ深圳市健心醫療科技有限公司	The PRC	RMB1,000,000	100%*	100%*	Developing, manufacturing and trading of medical devices, consulting and technical services
Δ深圳市先健創新醫療投資有限公司	The PRC	RMB50,000,000	100%*	100%*	Investment holding, developing of medical products, consulting services

41. PARTICULARS OF INTERESTS IN PRINCIPAL SUBSIDIARIES OF THE COMPANY - *continued*

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company		Principal activities
			2021	2020	
△深圳市先健外科瓣技術有限公司	The PRC	RMB1,000,000	55%*	65%*	Developing, manufacturing and trading of medical devices
△深圳市先健神康醫療有限公司	The PRC	RMB10,000,000	100%*	N/A	Developing, manufacturing and trading of medical devices, technical services

* Indirectly held through subsidiaries.

\# A wholly foreign owned enterprise.

△ Limited liability company established in the PRC.

Notes:

(i) None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

(ii) The directors consider none of the non-wholly owned subsidiaries of the Group has a material non-controlling interest, and accordingly, no summarised financial information in respect of any of these subsidiaries has been presented.