ACOTEC

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

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

2022
ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Arthur Crosswell BUTCHER
(appointed on February 9, 2023)
Ms. June CHANG *(appointed on February, 9 2023)*
Mr. Ke TANG *(resigned on February, 9 2023)*
Mr. Chen CHEN *(resigned on February, 9 2023)*

Independent Non-executive Directors

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

Ms. Kin Yee POON *(Chairperson)*
Dr. Yuqi WANG
Ms. June CHANG *(appointed on February, 9 2023)*
Mr. Chen CHEN *(resigned on February, 9 2023)*

JOINT COMPANY SECRETARIES

Mr. Chen LI
Ms. Ching Yi LI

AUTHORISED REPRESENTATIVES

Ms. Jing LI *(appointed on February, 9 2023)*
Ms. Ching Yi LI
Mr. Chen CHEN *(resigned on February, 9 2023)*

COMPLIANCE ADVISER

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1 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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1 Shilongnan Road, Mentougou District
Beijing
PRC

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Beijing Branch
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Dongcheng District
Beijing
PRC

COMPANY WEBSITE

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REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

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Development Area
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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188 Des Voeux Road Central
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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISERS

As to Hong Kong and United States laws

O'Melveny & Myers
31/F, AIA Central
1 Connaught Road Central
Hong Kong

As to PRC law

Commerce & Finance Law Offices
12-14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue
Beijing, PRC

As to Cayman Islands laws

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8/F Prince's Building
10 Chater Road, Central,
Hong Kong

STOCK CODE

6669

Financial Highlights

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000	Year-to-year change
Revenue	**395,545**	303,813	30.2%
Gross profit	**336,353**	265,939	26.5%
Profit/(loss) before tax	**70,319**	(67,243)	N/A
Profit/(loss) for the year	**70,142**	(79,077)	N/A
add adjusted items*:			
Share-based payments	**15,251**	33,356	–54.3%
Loss on fair value change of preferred shares	**–**	33,458	N/A
Listing expenses	**–**	41,129	N/A
Deferred tax asset reversal	**271**	4,174	–93.5%
Adjusted net profit for the year	**85,664**	33,040	159.3%

* The detail of the adjusted items refers to Non-IFRS Measures of this annual results announcement.

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000	Year-to-year change
Financial Position			
Non-current asset	**154,107**	63,841	141.4%
Current assets	**1,256,438**	1,243,525	1.0%
Total assets	**1,410,545**	1,307,366	7.9%
Non-current liabilities	**35,781**	12,060	196.7%
Current liabilities	**98,675**	88,112	12.0%
Total liabilities	**134,456**	100,172	34.2%
Total equity	**1,276,089**	1,207,194	5.7%

Chairman's Statement

Dear Shareholders,

We are glad that everything is on track so far.

In this year of 2022, regularities and certainties seemed to be fading away. Under the obscure situation, we, as a witness and a bystander, have to drift and sink in the whirlwind of change. We believe that with excellence in knowledge, sincerity in faith, cautiousness in action and integrity in accomplishment, we could be able to come from mud but not being stained, which as the Chinese goes "磨而不磷，涅而不緇". What we have achieved in 2022 is the perfect corroboration of it.

As of December 31, 2022, total revenue of the Group amounted to approximately RMB395.5 million, representing a year-on-year increase of approximately 30.2%. Gross profit amounted to approximately RMB336.4 million, representing a year-on-year growth of approximately 26.5%. Gross profit margin amounted to approximately 85.0% and profit for the year amounted to approximately RMB70.1 million, which were directly attributable to our diversified product pipeline. In 2021, we have adopted a dual-track approach to market products in both arterial and venal streams but were known to the world solely as a peripheral vascular intervention product provider. In 2022, our revenue from intravenous intervention and vascular access products reached approximately RMB86.0 million, a leap from approximately 1.5% of our total revenue in last year to approximately 21.8% of our total revenue. On the other hand, due to the diversity of our commercialized products and rapid commercialization of intravenous products in the pipeline, revenue from DCBs products for the year ended December 31, 2022 decreased to approximately 77.7% of our total revenue from approximately 98.5% of our total revenue for the year ended December 31, 2021.

We are proud to have achieved a diversified revenue structure. A huge part of this milestone is "speed" rather than what was shown on our balance sheet.

Despite adversity, we were able to turn some of our key strategies into reality at an "accelerated pace". The experience and expertise built over all these years had provided us with the necessary confidence and ground to respond to market changes.

Accelerated research and development: Marketing approvals for new products and indication expansion obtained and the set-up of a multi-dimensional layout initially completed

In 2022, five new products and the indication expansion of one DCB product had been approved by the NMPA for marketing.

Last year, we have obtained marketing approvals for our peripheral support catheters and high-pressure tapered balloons. During that same period, sales of our peripheral support catheters were approved in the United States and Brazil. Our intravenous offerings was also complemented by the addition of radiofrequency ablation systems, the second member in the family. We have successively obtained marketing approval for DCB products for the treatment of arteriovenous fistula for hemodialysis patients, intracranial PTA balloon (NEO-Skater®) and Semi-compliant PTCA Balloon (YAN).

Strategically, as evidenced by the launch of these products, our products have virtually invaded all four major therapeutic areas, namely vascular surgery, cardiology, nephrology and neurology. Indications of our products have also been expanded from peripheral arteriovenous vascular diseases, to coronary vascular diseases and neurovascular diseases, covering virtually the entire blood circulation system of human body. We believe that in future, therapeutic products for peripheral blood vessels, coronary vessels and intracranial neurovascular diseases will be launched progressively, which are expected to bring fresh impetus to the growth of our performance.

Accelerated market penetration: Penetration into lower-tier markets and cooperation with global giants to capture market share

By the end of last year, we have experienced a period of rapid growth due to overwhelming popularity of our products among Chinese hospital operators. Above-the-knee and below-the-knee DCBs made their way to a total of 1,400 and 700 hospitals, respectively. In 2022, driven by strong demand from certain lower-tier markets, our peripheral aspiration system has been extremely popular and was procured by up to 1,000 hospitals across China in a year. On another note, procurement of other products is making good progress. Commercial operation and maintenance of our products in China have achieved remarkable results, due to our strong sales channel built over the years.

In terms of overseas market, our products have been commercialised in 13 countries worldwide. Apart from that, we have explored and built up a new channel. Last year, we entered into a strategic cooperation agreement with Boston Scientific, pursuant to which, we will be able work together while maintaining independent operations. In future, Boston Scientific may further explore opportunities where we can collaborate to register and commercialise our products around the globe, including in the United States.

As the Chinese poem goes "Don't pay attention to the sound at beaten leaves from a storm, just to chant a whistle and keep walking steadily" ("莫聽穿林打葉聲，何妨吟嘯且徐行"), we are devoted to press forward despite headwinds and setbacks. We look forward to presenting to you more surprises on the positive side.

Take care and good luck!

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

Hong Kong, March 23, 2023

Management Discussion and Analysis

BUSINESS REVIEW

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

BUSINESS HIGHLIGHTS

In 2022, we made significant progress in research and development. During the Reporting Period, our seven products completed product finalisation, seven products were under clinical trials, four products had applied for registration with the NMPA, and five products and the indication expansion of AcoArt Orchid® & Dhalia® had been approved by the NMPA for marketing. As of December 31, 2022, we applied for registration of 18 additional patents and four of them had been approved.

Besides our significant progress in research and development, our admission efforts to hospital are also advancing. As of December 31, 2022, our ATK DCB (Above-The-Knee Drug-Coated Balloons) had been admitted into 1,400 hospitals (1,283 hospitals as of December 31, 2021); our BTK DCB (Below-The-Knee Drug-Coated Balloons) had been admitted into 700 hospitals (288 hospitals as of December 31, 2021); our Peripheral Aspiration System (AcoStream™), which was launched in November 2021, had been admitted into 1,000 hospitals; and our Radiofrequency Ablation System (AcoArt Cedar®), which was launched in April 2022, had been listed as a candidate for online procurement in 26 provinces and autonomous regions. These numbers are expected to continuously grow.

The stable and positive direction of our production and research contributed to the rapid growth of our annual revenue directly. For the Reporting Period, our revenue was approximately RMB395.5 million, representing a year-on-year increase of approximately 30.2%. Our Core Products, AcoArt Orchid® & Dhalia® and AcoArt Tulip® & Litos®, were the major contributors of our revenue.

The layout of our products is diversifying. With continuous launch of our products, our coverage of departments has been expanded to the cardiology, nephrology and neurology departments.

We continued to diversify our business by accelerating our globalization process and entering into new sectors of disease treatment.

As of December 31, 2022, our products had completed commercialization across 13 countries accumulatively. We are of the view that the acceleration of our Group's globalization process will diversify the revenue stream of our Company and facilitate us to respond to market changes more flexibly. In addition to revenue generated from our Core Products, we continued to diversify our revenue stream. For the Reporting Period, our other commercialized products, including Peripheral Aspiration System (AcoStream™), Radiofrequency Ablation System (AcoArt Cedar®), and PTA balloons products (AcoArt Iris™ & Jasmin™ and AcoArt Lily™ & Rosmarin™) generated revenue of approximately RMB86.0 million, accounting for approximately 21.8% of our total revenue.

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

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

We will continue to carry out the market cultivation of our new products, so as to provide new treatment methods to clinical patients.

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

As of December 31, 2022, we had 607 employees in total. The headcount of our research and development team increased to 118 employees, and our original technical team covers the aspects of material science, mechanical design manufacturing, chemistry and biomedical engineering. During the Reporting Period, we supplemented our research and development team with technicians in the field of electronic science and technology, automation and computer programming, which further improved our talent pool. We believe that the support of talents from different aspects will accelerate the implementation of our multi product pipeline projects.

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

We carried out in-depth investigations and discussion in respect of artery diseases, vein diseases and vascular aneurysm and we started to prepare for our business presence in these sectors. The progress of production development had been advancing at an extremely quick pace.

We are of the views that these results are attributable to two reasons. First of all, it is attributable to our insights into judgment of and prediction of market potentials. Decades of experience in the industry enables us to make better decisions and judgments to develop these potential markets. Secondly, it is attributable to our first-class execution capabilities.

In addition, our remaining product lines advanced as scheduled according to the original plans.

BUSINESS OVERVIEW

We carried out in-depth investigations and discussion in respect of artery diseases, vein diseases and vascular aneurysm, and we prepared for our business presence in these sectors. During the Reporting Period, our five new products and indication expansion of AcoArt Orchid® & Dhalia® obtained the registration approval from the NMPA. We launched the Radiofrequency Ablation System (AcoArt Cedar®) in April 2022 for varicose veins, making us become the first Chinese enterprise possessing originated technologies and ability to provide comprehensive solution in such sector. We launched the Peripheral Support Catheter (Vericor®) in July 2022, which became the first Chinese branded product in this sector. In addition, our PTA Balloon (P-Conic®), intracranial PTA balloon (NEO-Skater®) and semi-compliant PTCA balloon (YAN) were also successively approved by the NMPA during the Reporting Period. The progress of production development had been advancing at an extremely quick pace.

Product Pipeline

Our products and product candidates are Class I, Class II and Class III medical devices under the classification criteria of the NMPA. The following chart summarizes the key information of our full product portfolio as of the date of this annual report, including ten commercialized products, the indication expansion for our Core Products in three therapeutic areas, and 22 additional product candidates:

★ Core product ☆ Indication expansion of core product ★ Commercialization

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

Department	Products and Product Candidates	Indications / Applications	Key Technologies	Phase: Area	Phase: Pre-clinical Studies	Phase: Clinical Studies	Phase: Registration	Upcoming Milestone
Vascular Surgery	AcoArt Orchid® & Dhalia®/Orchid Plus★ [1]	Superficial femoral artery (SFA) and popliteal artery (PPA) disease	Drug coating technology	China			NMPA Approval ★	/
				EU			CE ★	/
	AcoArt Tulip® & Litos®★	Below-the-knee (BTK) artery disease	Drug coating technology	China			NMPA Approval ★	/
				EU			CE ★	/
				U.S				FDA IDE approval(2023)
	AcoArt Iris™ & Jasmin™	PTA Balloon applied in PTA procedure	Polymer materials	China			NMPA Approval ★	/
				EU			CE ★	/
	AcoArt Lily™ & Rosmarin™	PTA Balloon applied in PTA procedure	Polymer materials	China			NMPA Approval ★	/
				EU			CE ★	/
	Peripheral Aspiration System ▲ AcoStream™	DVT, ALI	Aspiration platform	China		Exempted from clinical trial	NMPA Approval ★	/
				Brazil			ANVISA Approval ★	/
	Radiofrequency Ablation System AcoArt Cedar®	Saphenous varicose veins	RF platform	China			NMPA Approval ★	/
	Peripheral Support Catheter ▲ Vericor®	Peripheral CTO lesion	Polymer materials	China		Exempted from clinical trial	NMPA Approval ★	/
				U.S			FDA Approval ★	/
				Brazil			ANVISA Approval ★	/
	PTA Balloon P-Conic® [2]	PTA	Polymer materials	China		Exempted from clinical trial	NMPA Approval ★	/
	Peripheral Spot Stent	SFA and PPA disease	Polymer materials	China				2025
	Lower Limb Sirolimus DCB	SFA and PPA disease	Drug coating technology	China				2025
	2nd Gen Peripheral Aspiration System ▲	DVT, ALI	Polymer materials	China		Exempted from clinical trial		2023
	Peripheral Triple-Guidewire Balloon	SFA and PPA disease	Polymer materials	China				2024
	Peripheral Scoring Balloon	SFA and PPA disease	Polymer materials	China				2024
	Peripheral Coil	Embolization	Polymer materials	China				2024
	Peripheral Rotational Atherectomy Device	Intravascular calcium	Polymer materials	China				2025
	Peripheral Thrombectomy Device	DVT, ALI and PE	Polymer materials	China				2025
	Peripheral IVL System	Intravascular calcium	Polymer materials	China				2026
Cardiology	Semi-compliant PTCA Balloon YAN	PTCA	Polymer materials	China			NMPA Approval ★	/
	AcoArt Camellia® (DCB)	Coronary small vessel diseases	Drug coating technology	China				2024
	Coronary Sirolimus DCB	Bifurcation lesions	Drug coating technology	China				2024
	Coronary CTO Recanalization Balloon RT -Zero▲ [3]	Coronary CTO	Polymer materials	China		Exempted from clinical trial		2023
	Guiding Extension Catheter ▲	Coronary CTO	Polymer materials	China		Exempted from clinical trial		2024
	Coronary CTO Antegrade Micro-Catheter ▲	Coronary CTO	Polymer materials	China		Exempted from clinical trial		2023
	Coronary Double-Lumen Selecting Catheter ▲	Bifurcation lesions	Polymer materials	China		Exempted from clinical trial		2024
	Coronary Retrograde Micro-Catheter ▲	Coronary CTO	Polymer materials	China		Exempted from clinical trial		2023
	Coronary Rotational Atherectomy Device	Intravascular calcium	Polymer materials	China				2025
	Coronary IVL System	Coronary lesion calcium	Polymer materials	China				2026
	Coronary Scoring Balloon	PTCA	Polymer materials	China				2023
Nephrology	AcoArt Orchid® & Dhalia®/Orchid Plus☆(DCB)	Arteriovenous fistula stenosis	Drug coating technology	China			NMPA Approval ★	/
	AV Scoring Balloon	AVF PTA procedure	Polymer materials	China				2023
	High-Pressure Balloon ▲	AVF PTA procedure	Polymer materials	China		Exempted from clinical trial		2023
Neurology	Intracranial PTA Balloon ▲ Neo-Skater®	Intracranial PTA procedure	Polymer materials	China		Exempted from clinical trial	NMPA Approval ★	/
	AcoArt Orchid® & Dhalia®/Orchid Plus☆(DCB)	Vertebral atherosclerotic stenosis	Drug coating technology	China				2024
	AcoArt Daisy™	Intracranial atherosclerotic stenosis	Drug coating technology	China				2024
Andrology	AcoArt Orchid® & Dhalia®/Orchid Plus☆(DCB)	Vasculogenic erectile dysfunction	Drug coating technology	China				2025
	AcoArt Tulip® & Litos®☆	Vasculogenic erectile dysfunction	Drug coating technology	China				2025

Notes:

1. We have been continuously improving the performance of AcoArt Orchid® & Dhalia®. As advised by NMPA and as part of our business strategy, we decided not to register Orchid Plus as a separate product.

   Alternatively, we applied to register Orchid Plus as an upgrade version of AcoArt Orchid® & Dhalia® with improved delivery balloon catheter system, and received the revised NMPA approval for AcoArt Orchid® & Dhalia® in November 2021.

2. PTA Balloon P-Conic® includes Above-The-Knee PTA Balloon and Below-The-Knee PTA Balloon.

3. Coronary CTO Recanalization Balloon (RT-Zero) obtained the registration approval from the NMPA on March 13, 2023.

4. We have updated our product candidates in our product pipelines in order to accommodate the market demands.

Our Core Products

1. AcoArt Orchid® & Dhalia®

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

We received the CE Marking for AcoArt Orchid® in 2014 and the NMPA approval for AcoArt Orchid® & Dhalia® in 2016. AcoArt Orchid® & Dhalia® was the first peripheral DCB product launched in China. As of December 31, 2022, we had also launched AcoArt Orchid® in twelve other countries including Germany, Italy, Switzerland, Czech Republic, Ecuador, Estonia, Hungary, India, South Africa, Spain, Turkey and Brazil. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

We are expanding the indications of AcoArt Orchid® & Dhalia® to address the underserved medical needs of hemodialysis patients with Arteriovenous Fistula (AVF) stenosis. In May 2018, we initiated an RCT for our AcoArt Orchid® & Dhalia® indicated for treating AVF stenosis in China to evaluate its safety and efficacy. The RCT enrolled a total of 244 trial subjects in 11 hospitals in China, with the General Hospital of People's Liberation Army as the principal investigator institution. The 244 subjects were randomized in a 1:1 ratio to a study group, where the subjects receive the treatment using AcoArt Orchid® & Dhalia®, and a control group, where the subjects receive the treatment using PTA balloons. We have completed the six-month follow-ups and the twelve-month follow-ups for all the trial subjects. According to the six-month follow-ups statistics, patency rate of DCB group is 91.4%, as comparing to the 66.9% patency rate for PTA group. According to the twelve-month follow-ups statistics, patency rate of DCB group is 66.1%, as compared to the 46.4% patency rate for PTA group. In nephrology, we received the updated registration certificate from the NMPA for the indication expansion of AcoArt Orchid® & Dhalia® for treating AVF stenosis in July 2022. In neurology, our AcoArt Orchid® & Dhalia® have completed the subject enrollment, and we expect to receive the NMPA approval in 2024.

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

For the Reporting Period, our revenue generated from the sales of AcoArt Orchid® & Dhalia® in China and overseas amounted to approximately RMB270.8 million, representing a period-on-period decrease of approximately 1.5%.

2. **AcoArt Tulip® & Litos®**

AcoArt Tulip® & Litos® is a paclitaxel DCB used to prevent stenosis or occlusion in below-the-knee (BTK) arteries for the treatment of chronic limb-threatening ischemia with a vascular interventional approach. It is compatible with the guidewire of 0.018" (AcoArt Tulip®) and 0.014" (AcoArt Litos®). We received the CE Marking for AcoArt Tulip® & Litos® in 2014, the FDA "breakthrough device" designation for AcoArt Litos® in 2019 and the NMPA approval for market for AcoArt Tulip® & Litos® in December 2020, and successfully launched it in China in January 2021. As of December 31, 2022, we had also launched AcoArt Tulip® & Litos® in twelve other countries including Germany, Italy, Switzerland, Czech Republic, Ecuador, Estonia, Hungary, India, South Africa, Spain, Turkey and Brazil. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

In January 2022, we submitted an IDE application for AcoArt Litos® Paclitaxel Coated Percutaneous Transluminal Angioplasty (PTA) Balloon Catheter to the Center for Devices and Radiological Health of the FDA.

For the Reporting Period, our revenue generated from the sales of AcoArt Tulip® & Litos® in China and overseas amounted to approximately RMB36.5 million, representing a period-on-period increase of approximately 51.4%.

Other Key Product Candidates

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

Devices Targeting Vascular Surgery

Other than our Core Products, we have six commercialized products, namely AcoArt Iris™ & Jasmin™, AcoArt Lily™ & Rosmarin™, Peripheral Aspiration System (AcoStream™), Radiofrequency Ablation System (AcoArt Cedar®) and Peripheral Support Catheter (Vericor®), PTA Balloon (P-Conic®) and nine product candidates in pipeline.

Commercialized Products

1. **AcoArt Iris™ & Jasmin™** is a PTA balloon used to open up narrowing or occlusive vessels for the treatment of SFA/PPA lesions with a vascular interventional approach. We received the NMPA approval for AcoArt Iris™ & Jasmin™ in 2014 and successfully renewed its registration certificate for another five years in June 2019. We also obtained CE Marking for AcoArt Iris™ in 2017. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

2. **AcoArt Lily™ & Rosmarin™** is a PTA balloon used to open up narrowing or occlusive vessels for the treatment of BTK lesions with a vascular interventional approach. We received the NMPA approval for AcoArt Lily™ & Rosmarin™ in 2015 and successfully renewed its registration certificate for another five years in May 2020. We also obtained CE Marking for AcoArt Lily™ & Rosmarin™ in 2017. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

3. **Peripheral Aspiration System (AcoStream™)** consists of a single-use suction connection tube, a suction pump and a thrombus aspiration catheter designed for use in the percutaneous aspiration thrombectomy for treatment of pulmonary thrombosis and lower extremity deep vein thrombosis (DVT). The suction pump of Peripheral Aspiration System (AcoStream™) and the aspiration catheter were approved by the NMPA in August and November 2021. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

4. **Radiofrequency Ablation System (AcoArt Cedar®)** consists of a radiofrequency generator and an endovenous radiofrequency catheter. Our Radiofrequency Ablation System (AcoArt Cedar®) is designed for superficial vein closure to treat varicose veins through radiofrequency ablation. We received the NMPA approval in April 2022. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

5. **Peripheral Support Catheter (Vericor®)** is designed to enhance access to peripheral vessels. Our peripheral support catheters are used together with guidewires to recanalize CTO lesions and BTK lesions and to reduce the difficulty of performing surgeries on complex lesions and BTK lesions. We received the NMPA approval in July 2022. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

6. **The PTA Balloon (P-Conic®)** is a percutaneous transluminal angioplasty (PTA) balloon designed for arterial dilation of the lower extremities, with a tapered balloon plus high pressure design for optimal vessel preparation. We received the NMPA approval in December 2022. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

For the Reporting Period, our revenue from the sales of our venous intervention and vascular access products, primarily including but not limited to AcoArt Iris™ & Jasmin™, AcoArt Lily™ & Rosmarin™, Peripheral Aspiration System (AcoStream™) and Radiofrequency Ablation System (AcoArt Cedar®), was approximately RMB86.0 million.

Product Candidates in Pipeline

7. **Peripheral Triple-Guidewire Balloon** incorporates three guidewires around the balloon to achieve focused vasodilatation. We expect to make the product registration submission for the product with the NMPA in 2023 and to receive the NMPA approval in 2024.

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

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

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

9. **Peripheral Spot Stent** is designed for treatment of atherosclerotic lesions in femoropopliteal arteries and post-PTA vascular dissections. Our peripheral spot stent has been sent for type testing and is currently under clinical trial. We expect to receive the NMPA approval in 2025.

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

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

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

11. **Peripheral Scoring Balloon** has a scoring element embedded on the balloon. Our peripheral scoring balloon is currently in the stage of pre-clinical study. We expect to make the product registration submission for the product with the NMPA in 2023 and to receive the NMPA approval in 2024.

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

12. **2nd Gen Peripheral Aspiration System** is the upgraded product of our current peripheral aspiration system product. Our 2nd gen peripheral aspiration system is currently under development. We expect to receive the NMPA approval in 2023.

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

13. **Peripheral IVL System** is an intravascular lithotripsy device mounted on a conventional balloon angioplasty. Energizing the lithotripsy device will generate pulsatile energy to disrupt hard calcium among the lesion, to allow subsequent dilation of stenotic lesion with lower balloon pressure and ultimately to reduce the rate of stent implantation. Our peripheral IVL system was sent for type testing in 2022. We expect to receive the NMPA approval in 2026.

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

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

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

15. **Peripheral Coil** is designed to embolize peripheral vessel or aneurysm. Our peripheral coil was sent for type testing in 2022. We expect to receive the NMPA approval in 2024.

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

Devices Targeting Cardiology

As of the end of the Reporting Period, we have one commercialized product, which is semi-compliant PTCA balloon (YAN), and ten product candidates in pipeline.

Commercialized Products

1. **Semi-compliant PTCA Balloon (YAN)** is a product designed for dilation in coronary artery or coronary artery bypass vessels stenosis to improve myocardial perfusion. YAN is also indicated for dilation of coronary artery occlusive lesions to restore coronary blood flow of ST-segment elevation myocardial infarction (STMI) patients. We received the NMPA approval in December 2022. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

   As the semi-compliant PTCA balloon (YAN) was only obtained the NMPA approval in December 2022, no revenue was generated from the sales of it.

Product Candidates in Pipeline

2. **Coronary CTO Antegrade Micro-Catheter** is designed for treating coronary artery CTO with an antegrade passing technique. We made the product registration submission for the product with the NMPA in 2022, and we expect to receive the NMPA approval in 2023.

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

3. **Coronary CTO Recanalization Balloon** is a high-pressure PTCA balloon with a minimum of 0.85mm balloon diameter and a minimum of 0.0160" crossing profile, indicated for dilation in coronary artery stenosis and chronic total occlusion (CTO) lesion to improve myocardial perfusion for patients with coronary ischemia. This product received the NMPA approval on March 13, 2023.

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

4. **Coronary Double-Lumen Selecting Catheter** is designed for treating complex bifurcation lesions. Our coronary double-lumen selecting catheter is currently under development. We expect to make the product registration submission for the product with the NMPA in 2023 and to receive the NMPA approval in 2024.

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

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

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

6. **Guiding Extension Catheter helps deliver** stents and balloons through its guiding catheter in complicated lesions. Our guiding extension catheter is currently under development. We expect to make the product registration submission for the product with the NMPA in 2023 and to receive the NMPA approval in 2024.

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

7. **Coronary Rotational Atherectomy Device** refers to our rotational atherectomy technology used in eliminating intracardiac intravascular hard plaque. Our coronary rotational atherectomy device is currently in the stage of pre-clinical study. We expect to make the product registration submission for the product with the NMPA in 2024 and to receive the NMPA approval in 2025.

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

8. **AcoArt Camellia®** is a paclitaxel DCB indicated for the treatment of coronary small vessel diseases (SVD). We expect to complete the RCT in 2023. We completed the subject enrollment of the RCT for our AcoArt Camellia® in 2022. We expect to receive the NMPA approval in 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR ACOART Camellia® SUCCESSFULLY.

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

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

10. **Coronary Scoring Balloon** has a scoring element embedded on the balloon. We expect to make the product registration submission for the product with the NMPA in 2023, and we expect to receive the NMPA approval in 2023.

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

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

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

Devices Targeting Nephrology

In nephrology, we received the updated registration certificate from the NMPA for the indication expansion of AcoArt Orchid® & Dhalia® for treating AVF stenosis in July 2022.

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

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

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

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

Devices Targeting Neurology

As of the end of the Reporting Period, we have one commercialized product, namely intracranial PTA balloon (NEO-Skater®), and one product candidate in pipeline. We are also expanding the indications of our AcoArt Orchid® & Dhalia® in the treatment of vertebral atherosclerotic stenosis.

Commercialized Products

1. **Intracranial PTA Balloon (NEO-Skater®)** is an intracranial PTA balloon to improve perfusion of atherosclerotic intracranial arteries, and it has an improved catheter platform and lubricant coating of the balloon to ensure the passage in a tortuous and narrow vascular environment. We received the NMPA approval in December 2022. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals or registrations.

   As the intracranial PTA Balloon (NEO-Skater®) was only obtained the NMPA approval in December 2022, no revenue was generated from the sales of it.

Product Candidates in Pipeline

2. **AcoArt Daisy®** is a rapid exchange system DCB indicated for the treatment of intracranial atherosclerotic stenosis (ICAS). As of December 31, 2022, we completed the subject enrollment of the RCT for our AcoArt Daisy® in 2022. We expect to receive the NMPA approval in 2024.

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

Devices Targeting Andrology

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

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

Research and Development

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

We have primarily adopted a self-development business model. Our research and development team self-develop most of the key technologies used in our products and product candidates, and we own substantially all the rights pertaining to all our products and product candidates, except that the formula of the excipient used in our DCB products (which we believe is a key differentiating aspect of our products) was licensed from InnoRa GmbH, our business partner. Furthermore, as of December 31, 2022, we had a robust intellectual property portfolio, consisting of 43 registered patents and 32 pending patent applications.

During the Reporting Period, we supplemented our research and development team with technicians in the field of electronic science and technology, automation and computer programming, which further improved our talent pool. We also assembled a new team dedicating in the research and development of power-sourced devices located in Shenzhen, with a laboratory of approximately 600 sq.m..

Manufacturing

Our production facility in Beijing has an aggregate gross floor area of approximately 13,000 sq.m., and our production facility in Beijing has an aggregate gross floor area of approximately 9,000 sq.m.. As of December 31, 2022, our facility was primarily used for the production of our balloon catheter products (including DCB and PTA products), power-sourced devices and products candidates.

The production capacity, actual production volume and utilization rate for our commercialized balloon catheter products in our manufacturing facility for the Reporting Period is approximately 424,443, 232,214, and 54.7%, respectively. We conduct all the manufacturing process of our balloon catheter products in-house.

Sales and Marketing

Currently, we primarily sell and market our Core Products, AcoArt Orchid® & Dhalia® and AcoArt Tulip® & Litos®, and our venous intervention and vascular access products. We also sell and market AcoArt Orchid® and AcoArt Tulip® & Litos® in several overseas countries. For the Reporting Period, we generated approximately RMB307.3 million and approximately RMB86.0 million from the sales of our Core Products and our venous intervention and vascular access products, respectively, representing a period-on-period increase of approximately 2.7% and approximately 1,763.8%, respectively, and a substantial portion of such revenue is generated from our sales in China. As our current products and product candidates receive more marketing approvals in countries and regions outside China, we expect to generate more sales from overseas markets.

We use a combination of our in-house sales and marketing team, our connections with hospitals and a network of independent distributors to sell our products in China. As of December 31, 2022, we had a strong sales and marketing team in China, led by the head of our sales and marketing team, Ms. Hui ZHANG, who has vast sales and marketing experience in the medical device industry. During the Reporting Period, we have established a sales team with extensive experience in nephrology, thus laying the foundation for the commercialization of DCB products in nephrology. We also had sales and marketing staff in India that in charge of overseas sales and marketing. Our in-house sales and marketing team tracks and analyzes applicable local laws and regulations and government policies as well as market data of our products in order to formulate national and regional marketing strategies more effectively.

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

Intellectual Property Rights

We have built a comprehensive intellectual property portfolio in China and overseas to protect our technologies, inventions and know-how and ensure our future success with commercializing our products. As at December 31, 2022, we had 43 registered patents and 119 registered trademarks, as well as 32 pending patent applications and 39 pending trademark applications in China and overseas. There is no material legal impediment for us to obtain the approvals for these pending patents and trademarks.

Impact of the COVID-19 Pandemic

Although we experienced slight delays in the patient enrollment, data collection and data analyses processes for certain of our clinical trials, we had resumed the normal patient enrollment and data analyses for our clinical trials in China since April 2020. Moreover, the sales of our DCB products in China for 2020 have been significantly affected by the COVID-19 pandemic, but the sales amount of AcoArt Orchid® & Dhalia® gradually bounced back since April 2020. In 2022, due to the COVID-19 pandemic, the product supply and sales of DCB products in several important revenue-contributing regions were temporarily affected, resulting in a slowdown in growth of revenue from our Core Products. However, we strived hard and managed to keep the clinical trials or the overall clinical development plan on track without experiencing any significant long-term impact. We had not experienced any material difficulties in procuring our major raw materials and have not experienced significant fluctuations in the prices of our supplies since the outbreak of COVID-19 and as of December 31, 2022.

Future Development

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

Leveraging the synergistic effects from our three core technologies, we will further expand our product offerings. To fuel our long-term growth, we plan to further expand our coverage in the domain of vascular interventional therapies. We plan to cover five therapeutic areas consisting of vascular surgery, cardiology, nephrology, neurology and andrology primarily by expanding the indications of our DCB products. We also plan to expand our product offerings from therapeutic devices, procedural devices to other ancillary devices for vascular interventional procedures in each of the five therapeutic areas. With a goal to solidify our leading position in the DCB market and enhance our competitiveness in other vascular interventional therapies, we plan to increase our investments in technological innovation to strengthen our research and development capabilities.

We will continue to grow sales of AcoArt Orchid® & Dhalia® through increasing our sales efforts to deepen the penetration in hospitals to which we currently sell AcoArt Tulip® & Litos® and expanding into new hospitals in China by leveraging our direct access to KOLs in vascular interventional therapy, providing systematic training to physicians, and increasing DCB awareness among hospitals, physicians and patients. We plan to continue to implement and improve our systematic DCB training program to expedite the physician education process and to promote our DCB products. We also plan to further promote DCB awareness among patients in China in order to broaden the patient base.

To enjoy early-mover advantage, we will rapidly advance the clinical development and commercialization of our late-staged product candidates. We will also broaden our sales and expand our presence globally, especially in Europe and the United States.

FINANCIAL REVIEW

Overview

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

Revenue

During the Reporting Period, all our revenue was generated from sales of medical devices. Sales of DCB products, our Core Product, have comprised the major portion of our revenue since its first commercialization in China in 2016. Our revenue primarily comprised of the sales of Core Products and venous intervention and vascular access products. We expect to increase our revenue by expanding the indications of our Core Products and enriching our venous intervention and vascular access products in the near future.

The Group's revenue for the year ended December 31, 2022 was approximately RMB395.5 million, representing an increase of approximately 30.2% compared to approximately RMB303.8 million for the year ended December 31, 2021. The increase was primarily attributable to (i) an increase in the sales of core product AcoArt Tulip® & Litos® and PTA balloon products, (ii) the launch of the new products AcoStream™ since November 2021 and AcoArt Cedar® since April 2022 in China and (iii) the sales promoted as a result of the marketing and advertising activities in both PRC and overseas market. It is noted that such number of surgeries performed with our medical devices recorded an increase compared to the year ended December 31, 2021 although the economy was seriously affected by domestic COVID-19 outbreaks and rising geopolitical risks. For the year ended December 31, 2022, revenue from sales of DCB products accounted for approximately 77.7% of our total revenue, as compared to approximately 98.5% for the year ended December 31, 2021, which is due to the diversity of our commercialized products.

The following table sets forth a breakdown of our revenue:

	Year ended December 31, 2022		Year ended December 31, 2021	
Revenue	**RMB'000**	**Proportion**	RMB'000	Proportion
Core Products	**307,283**	**77.7%**	299,165	98.5%
AcoArt Orchid® & Dhalia®	**270,810**	**68.5%**	275,071	90.5%
AcoArt Tulip® & Litos®	**36,473**	**9.2%**	24,094	8.0%
Venous intervention and vascular access products[Note]	**86,033**	**21.8%**	4,616	1.5%
Others	**2,229**	**0.5%**	32	0.0%
Total	**395,545**	**100.0%**	303,813	100.0%

Note: The venous intervention and vascular access products primarily including but not limited to PTA balloon products, AcoStream™ and AcoArt Cedar®.

Cost of Sales

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

The Group's cost of sales for the year ended December 31, 2022 was approximately RMB59.2 million, representing an increase of approximately 56.2% compared to approximately RMB37.9 million for the year ended December 31, 2021. The increase was primarily attributable to (i) increase of sales volume of AcoArt Tulip® & Litos® and PTA balloon products, (ii) the inclusion of the cost of sales of AcoStream™ and AcoArt Cedar® in China which were newly launched in November 2021 and April 2022, respectively, and (iii) scale effect of production.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased by approximately 26.5% from approximately RMB265.9 million for the year ended December 31, 2021 to approximately RMB336.4 million for the year ended December 31, 2022, which was in line with the increase in our revenue. Gross profit margin is calculated as gross profit divided by revenue. The gross profit margin of the Group decreased from 87.5% for the year ended December 31, 2021 to 85.0% for the year ended December 31, 2022, mainly due to an increase in sales volume of venous intervention and vascular access products and relatively lower sales prices of that kind of products, leading to a decrease in overall gross profit margin.

Other Income

The Group recorded other income for the year ended December 31, 2022 of approximately RMB28.1 million, representing an increase of approximately 146.5% compared to approximately RMB11.4 million for the year ended December 31, 2021, primarily attributable to an increase in interest income due to increase in balance of bank deposits.

Other Net Gains

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

The Group recorded other net income for the year ended December 31, 2022 of approximately RMB52.0 million, compared to approximately RMB8.8 million loss for the year ended December 31, 2021. The increase was mainly due to net foreign exchange gain.

Selling and Distribution Costs

The Group's selling and distribution costs for the year ended December 31, 2022 was approximately RMB72.7 million, representing an increase of approximately 23.6% compared to approximately RMB58.8 million for the year ended December 31, 2021. The increase was primarily attributable to (i) an increase in the number of sales staffs and therefore an increase in staff cost; (ii) the fact that less employee stock ownership plan ("ESOP") expense was occurred compared with that in 2021; (iii) the fact that more conferences were held to support the launch of the new products.

R&D Costs

The Group's R&D costs for the year ended December 31, 2022 was approximately RMB183.8 million, representing an increase of approximately 30.1% compared to approximately RMB141.3 million for the year ended December 31, 2021. The increase was primarily attributable to (i) the research and development expense of the Shenzhen R&D center, which was acquired in May 2020, and the American R&D center, which was established in November 2021, both of which were consolidated in the comprehensive financial statement of the Group; (ii) the increased investments in the on-going research and development projects; and (iii) the expansion of our product portfolio through in-house research and development.

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

	Year ended December 31,			
	2022		2021	
	RMB'000	%	RMB'000	%
Employee benefits expenses[Note]	68,229	37.1%	50,950	36.0%
Third-party contracting expenses	46,102	25.1%	35,405	25.1%
Depreciation and amortisation	5,542	3.0%	4,326	3.1%
Material consumed	43,446	23.6%	30,550	21.6%
Consultancy fee	14,311	7.8%	9487	6.7%
Others	6,166	3.4%	10,570	7.5%
	183,796	100.00%	141,288	100.00%

Note: Employee benefits expense includes Share-based compensation.

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2022 was approximately RMB87.8 million, representing an increase of approximately 51.1% compared to approximately RMB58.1 million for the year ended December 31, 2021. The increase was primarily attributable to (i) increased recruitment fee and training fee with the increase of headcount in 2022 and (ii) increased consultancy fee with the increasing demand on professional and standardized management.

Finance Costs

The Group's finance costs for the year ended December 31, 2022 was approximately RMB1.8 million, representing a decrease of approximately 52.6% compared to approximately RMB3.8 million for the year ended December 31, 2021. The decrease was primarily attributable to the reduced interest expense on bank borrowings.

Provision of Impairment Losses on Trade Receivables

The Group's provision of impairment losses on trade receivables for the year ended December 31, 2022 was approximately RMB0.1 million, compared to, net of reversal, with approximately RMB0.8 million for the year ended December 31, 2021. The increase was primarily attributable to the increase of the balances of account receivables as of December 31, 2022.

Non-IFRS Measures

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

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

	Year ended December 31, 2022 RMB'000	Year ended December 31, 2021 RMB'000
Profit/(Loss) for the year	**70,142**	(79,077)
add:		
Share-based payments[1]	**15,251**	33,356
Loss on fair value change of preferred shares[2]	**–**	33,458
Listing expenses[3]	**–**	41,129
Deferred tax asset reversal[4]	**271**	4,174
Adjusted net profit for the year[5]	**85,664**	33,040

Notes:

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

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

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

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

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

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

Income Tax

The Group's income tax expense for the year ended December 31, 2022 was approximately RMB0.2 million, representing a decrease of approximately 98.3% compared to the income tax expense of approximately RMB11.8 million for the year ended December 31, 2021. The decrease was primarily attributable to less current income tax and less deferred tax was recognized.

Capital Management

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

Liquidity and Financial Resources

The Group's cash and cash equivalents as at December 31, 2022 were approximately RMB986.5 million, representing a decrease of approximately 13.3% compared to approximately RMB1,137.2 million as at December 31, 2021. The decrease was primarily attributable to the increase in operating and investing expenditures.

We rely on capital contributions by our shareholders and also generate cash from our sales revenue of existing commercialized products, including PTA, DCB, AcoStream™ and AcoArt Cedar®. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of existing commercialized products and by launching new products, as a result of the broader market acceptance of our existing products and our continued efforts in marketing and expansion.

To achieve better risk control and minimize the cost of funds, the Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in deposits mostly denominated in US dollars, Hong Kong dollars and RMB. The Group's liquidity and financing requirements are reviewed regularly.

Borrowings and Gearing Ratio

As at December 31, 2022, the Group's total borrowings are interest-bearing bank borrowings which were nil, compared to approximately RMB6.0 million as at December 31, 2021.

Gearing ratio is calculated by dividing total liabilities by total equity and multiplying the result by 100%. As at December 31, 2022, the gearing ratio of the Group increased to approximately 10.5% from approximately 8.3% as at December 31, 2021.

Net Current Assets

As at December 31, 2022, the Group's net current assets was approximately RMB1,157.8 million, representing an increase of approximately 0.2% compared to net current assets of approximately RMB1,155.4 million as at December 31, 2021.

Foreign Exchange Exposure

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

Significant Investments, Material Acquisitions and Disposals

As of December 31, 2022, we did not hold any significant investments. For the Reporting Period, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures (for the year ended December 31, 2021: nil).

Capital Expenditure

For the Reporting Period, the Group's total capital expenditure amounted to approximately RMB49.6 million, which was used in (i) purchase of plant and equipment; (ii) payment of rental deposits; and (iii) purchase of intangible assets.

Charge on Assets

As at December 31, 2022, there was no charge on assets of the Group (for the year ended December 31, 2021: nil).

Contingent Liabilities

As at December 31, 2022, we did not have any contingent liabilities (for the year ended December 31, 2021: nil).

Employees and Remuneration Policies

As of December 31, 2022, we had 607 employees in total. Most of them are stationed in China.

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

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

Future Investment Plans and Expected Funding

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

SUBSEQUENT EVENTS

Voluntary Partial Cash Offer

On December 12, 2022, Boston Scientific Group plc as the Offeror and the Company jointly announced that Citigroup Global Markets Asia Limited, on behalf of the Offeror, will make a voluntary conditional partial cash offer to acquire a maximum of 203,702,962 Shares at the Offer Price of HK$20 per Share in cash in the issued share capital of the Company (representing 65% of the Company's issued share capital) from the Shareholder(s) other than the Offeror and parties acting in concert with it in compliance with the Hong Kong Code on Takeovers and Mergers.

On January 26, 2023, the Offeror and the Company jointly announced that all the Conditions have been fulfilled and the Partial Offer has become and declared unconditional in all respects.

On February 9, 2023, the Offeror and the Company jointly announced that the Partial Offer was closed.

For details, please refer to (i) the joint announcements dated December 12, 2022, January 26, 2023 and February 9, 2023 jointly issued by the Offeror and the Company; and (ii) the composite offer and response document dated January 3, 2023 jointly issued by the Offeror and the Company (the "**Composite Document**"). Unless otherwise stated, capitalized terms used above shall have the same meanings as those used in the Composite Document.

Change of Non-executive Directors, member of the Audit Committee and Authorized Representative

With effect from February 9, 2023, Mr. Chen CHEN ("**Mr. Chen**") has resigned as a non-executive Director, a member of the audit committee of the Company (the "**Audit Committee**") and an authorized representative of the Company (the "**Authorized Representative(s)**") under Rule 3.05 of the Listing Rules and Mr. Ke TANG has resigned as a non-executive Director.

Each of Mr. Arthur Crosswell BUTCHER and Ms. June CHANG has been appointed as a non-executive Director and Ms. Chang has been appointed as a member of the Audit Committee with effect from February 9, 2023.

Ms. Jing LI has been appointed as the one of Authorized Representatives in place of Mr. Chen with effect from February 9, 2023.

For details, please refer to the announcement issued by the Company dated February 9, 2023.

USE OF NET PROCEEDS FROM LISTING

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

The table sets forth the utilization of the net proceeds from the Global Offering and the unutilized amount as at December 31, 2022:

Intended use of proceeds as stated in the Prospectus	Percentage to total amount	Net proceeds from the IPO	Utilised amount as at December 31, 2022	Unutilised amount as at December 31, 2022	Expected timeline for unutilized amount
	%	RMB'000	RMB'000	RMB'000	
Development and commercialization of our Core Products	32	414,067	122,465	291,602	Year 2027
Development and commercialization of other 24 products	23	297,611	124,449	173,162	Year 2024
Expand our production capacity and strengthen our manufacturing capabilities	7	90,577	15,698	74,879	Year 2023
Expand our product portfolio through in-house research and development, collaboration, mergers and acquisitions, in-licensing or equity investments	24	310,550	34,396	276,154	Year 2024
Working capital and other general corporate purposes	8	103,517	44,103	59,414	Year 2025
Repay the Loan	6	77,638	77,638	–	N/A
Total	**100**	**1,293,960**	**418,749**	**875,211**	

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

OUTLOOK

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

In 2022, we received the NMPA approval for five new products and one indication expansion of DCB (AcoArt Orchid® & Dhalia®). The NMPA approvals for Neo-Skater®, YAN and indication expansion on treating AVF stenosis of DCB (AcoArt Orchid® & Dhalia®) marked our entrance into three new therapeutic sectors: neurology, cardiology and nephrology. Our products layout in artery sector has covered vessel access, vessel preparation and therapeutic devices, which allow us to provide comprehensive solution in such sector. In vein sector, our radiofrequency catheter (AcoArt Cedar®) and radiofrequency generator products was approved to launch in April 2022, which further enriched our commercialized product portfolio in such sector. We plan to adopt appropriate marketing and academic activities to promote our products among doctors and patients in China in order to broaden the doctor and patient base.

Leveraging the synergistic effects from our four core technologies, we will further expand our product offerings. To fuel our long-term growth, we plan to further expand our coverage in the domain of vascular interventional therapies. We have built a multi-pronged product pipeline cover five therapeutic areas consisting of vascular surgery cardiology, nephrology, neurology and andrology primarily by leveraging our four technology platforms. We also plan to expand our product offerings from therapeutic devices, procedural devices to other ancillary devices for vascular interventional procedures in each of the five therapeutic areas. The Boston Scientific may also partner with the Company to identify new areas of product development not currently in one or both party's portfolio.

Benefiting from the commercialization of diversified products, we have generated approximately 31.0% of total revenue from venous intravenous intervention and vascular access products and AcoArt Tulip® and Litos® in 2022. We will continue to broaden our sales through expanding our newly-launched products into hospitals in China as well as increasing our sales efforts to deepen the penetration in hospitals to which we currently sell products by leveraging our direct access to KOLs in vascular interventional therapy, providing systematic training to physicians, and increasing awareness among hospitals, physicians and patients.

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022.

Biographies of Directors and Senior Management

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

EXECUTIVE DIRECTORS

Ms. Jing LI (李靜), aged 51, is our executive Director, chairperson of the Board and the chief executive officer. She was appointed as a Director on December 3, 2020 and appointed as the chairperson of the Board and re-designated as an executive Director on January 29, 2021. She is in charge of the overall strategic planning, business direction and operational management of the Group and holds the following positions in the subsidiaries of our Group:

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

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

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

Mr. Silvio Rudolf SCHAFFNER, aged 53, is our executive Director and the chief operating officer. He was appointed as a Director on December 3, 2020 and re-designated as an executive Director on January 29, 2021. He has been the chief operating officer of Beijing Acotec since March 10, 2017. Mr. Schaffner is in charge of the overall strategic planning, business direction and operational management of the Group.

Mr. Schaffner has over 30 years of experience in the medical devices industry. From December 2004 to June 2009, Mr. Schaffner served as the managing director and the legal representative of Invatec. From June 2009 to August 2010, he served as the president of management and the legal representative of Invatec. Mr. Schaffner holds various patents in orthopedic implantation and vascular intervention fields. As of the date of this annual report, no intellectual property rights that are material to our Group (including those relating to the Core Products) was filed and/or owned by Mr. Schaffner. For our material patents, please refer to the paragraphs headed "Management Discussion and Analysis – Business Overview – Intellectual Property Rights" in this annual report. Before joining Invatec, Mr. Schaffner successively served as the Head of Polymer Research at Sulzer Orthopedics Ltd. and then head of R&D at Jomed NV (acquired by Abbott in 2003) from 1993 to 2003.

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

NON-EXECUTIVE DIRECTORS

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

Name of subsidiary	Position	Period
Beijing Acotec	Chairperson of the board of directors	December 24, 2018 to March 24, 2023[Note]
	Director	December 24, 2018 to March 24, 2023[Note]
Pine Medical	Director	September 28, 2018 to February 9, 2023

Note: The relevant industrial and commercial registration of changes are under process.

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

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

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

Mr. Tang resigned as a non-executive Director on February 9, 2023. For details, please refer to the announcement issued by the Company dated February 9, 2023.

Mr. Arthur Crosswell BUTCHER, aged 52, was appointed as a non-executive Director on February 9, 2023. Mr. Butcher obtained a Bachelor of Arts degree in International Relations from the University of Pennsylvania in May 1992 and a Master's degree in Business Administration from Columbia University in October 2003, and has been the executive vice president and group president of the Medical Surgical business and Asia Pacific region of Boston Scientific Corporation ("**BSC**"), the controlling shareholder of the Company, since May 2022.

Mr. Butcher has over 26 years of experience in the medical device industry. Since joining Boston Scientific in December 1996 as sales representative of the Urology & Women's Health division until December 1999, Mr. Butcher has held different management roles, including executive vice president and president of the Asia Pacific region from March 2020 to April 2022, senior vice president and president of the Endoscopy division from July 2016 to February 2020, vice president and general manager of the Endoscopy division in Japan from August 2014 to June 2016, vice president of global marketing of the Endoscopy division from April 2011 to August 2014, vice president of new business development and strategic planning of the Urology & Women's Health division from September 2009 to April 2011, director of marketing and new business development of the Urology & Women's Health division from March 2008 to September 2009, director of business development and strategic planning of the Urology & Women's Health division from January 2006 to March 2008, group marketing manager of the Endourology division from April 2003 to December 2005, principal product manager of the Endourology division from April 2002 to April 2003, and regional sales manager of the Urology & Women's Health division from December 1999 to April 2002.

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

Name of subsidiary	Position	Period
Beijing Acotec	Director	December 24, 2018 to March 24, 2023[Note]
Tianjin Acotec	Supervisor	December 24, 2018 to February 9, 2023
VascuPatent Medical	Chairperson of the board of directors	June 5, 2020 to February 24, 2023

Note: The relevant industrial and commercial registration of changes are under process.

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

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

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

Mr. Chen resigned as a non-executive Director on February 9, 2023. For details, please refer to the announcement issued by the Company dated February 9, 2023.

Ms. June CHANG, aged 52, was appointed as a non-executive Director on February 9, 2023. Ms. Chang obtained of Bachelor of Arts degree from the Business School of the University of Washington in June 1997 and a Master's degree in International Management from the Thunderbird, The American Graduate School of International Management in May 2001, and is currently the president of the Greater China region of BSC since March 2020. Ms. Chang is also a member of the Chartered Institute of Management Accountants.

Ms. Chang has over 25 years of experience in holding financial and commercial leadership roles in the aerospace, automotive, consumer product and device sectors across North America, Asia Pacific region and the Greater China region. Ms. Chang joined BSC in China in October 2013 as the chief financial officer until March 2015. Ms. Chang has held different management roles in BSC, including the chief finance officer of the Greater China region from April 2015 to August 2016, chief financial officer and senior director of strategic planning, DRM & emerging markets of China from September 2016 to March 2018, vice president of finance of the Greater China region and strategic planning/IAS/DRM & emerging markets of China from April 2018 to May 2018, and vice president and managing director of the Greater China region from June 2018 to February 2020. Prior to joining BSC, Ms. Chang was the group controller of foods and beverages of the Greater China region of PepsiCo from June 2012 to October 2013, and the head of financial planning and analysis of the Greater China region of PepsiCo from July 2008 to June 2012. Ms. Chang was also the category finance leader of the Asia, Middle East and Africa regions of Unilever from July 2001 to June 2008. Ms. Chang was a tax associate of Arthur Andersen & Co. from September 1997 to January 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yuqi WANG (王玉琦), aged 75, was appointed as an independent non-executive Director on January 29, 2021 (effective from the Listing Date) and is responsible for providing independent advice and judgment to our Board.

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

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

Ms. Hong NI (倪虹), aged 50, was appointed as an independent non-executive Director on January 29, 2021 (effective from the Listing Date) and is responsible for providing independent advice and judgment to our Board.

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

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

Ms. Kin Yee POON (潘建而), aged 50, was appointed as an independent non-executive Director on January 29, 2021 (effective from the Listing Date) and is responsible for providing independent advice and judgment to our Board.

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

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

SENIOR MANAGEMENT

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

Dr. Ulrich Reinhold SPECK, aged 82, is appointed as the chief technology officer of our Company on January 29, 2021 and has been the chief technology officer of our Group since October 3, 2020 and is responsible for directing and overseeing experimental and clinical research and technology development of the Group.

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

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

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

Ms. Hui ZHANG (張慧), aged 46, is appointed as the vice-president of marketing and sales of our Company on January 29, 2021 and has been the vice-president of marketing and sales of Beijing Acotec since March 2017. She was the director in overall marketing and sales of the Group from September 2015 to March 2017.

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

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

Ms. Weijia LI (李維佳), aged 45, is appointed as the vice-president of clinical and regulations of our Company on January 29, 2021 and has been the vice-president of clinical and regulations of Beijing Acotec since March 2017.

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

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

Report of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended December 31, 2022.

PRINCIPAL BUSINESS

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

We carried out in-depth investigations and discussion in respect of artery diseases, vein diseases and vascular aneurysm, and we prepared for our business presence in these sectors. During the Reporting Period, our five new products and indication expansion of AcoArt Orchid® & Dhalia® obtained the registration approval from the NMPA. We launched the Radiofrequency Ablation System (AcoArt Cedar®) in April 2022 for varicose veins, making us become the first Chinese enterprise possessing originated technologies and ability to provide comprehensive solution in such sector. We launched the Peripheral Support Catheter (Vericor®) in July 2022, which became the first Chinese branded product in this sector. In addition, our PTA Balloon (P-Conic®), intracranial PTA balloon (NEO-Skater®) and semi-compliant PTCA balloon (YAN) were also successively approved by the NMPA during the Reporting Period. The progress of production development had been advancing at an extremely quick pace.

RESULTS

The results of the Group for the year ended December 31, 2022 are set out in the consolidated financial statements on pages 71 to 144 of this annual report.

DIVIDENDS DISTRIBUTION

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

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022 (2021: nil).

TAX RELIEF AND EXEMPTION

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

BUSINESS REVIEW

A fair review of the business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position as well as the outlook of the Group's business are provided in the "Management Discussion and Analysis" this annual report. Description of the principal risks and uncertainties faced the Group can be found throughout this annual report. Particulars of important events affecting the Group that have occurred after December 31, 2022, if any, can also be found in the notes to the consolidated financial statements. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

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

FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last four financial years are set out on page 145 of this annual report. This summary does not form part of the audited consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group during the year ended December 31, 2022.

RELATIONSHIP WITH STAKEHOLDERS

Employees

As of the date of this annual report, we had 607 employees in total. Most of them are stationed in China.

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

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

As of December 31, 2022, our employees were represented by a labor union under Beijing Acotec. We believe that we have maintained good working relationships with our employees. During the year ended December 31, 2022, we were not subject to any material claims, lawsuits, penalties or administrative actions relating to non-compliance with occupational health and safety laws or regulations, and had not experienced any strikes, labor disputes or industrial actions which have had a material effect on our business.

Customers

During the year ended December 31, 2022, our revenue primarily comprised of the sales of Core Products and venous intervention and vascular access products.

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

We sell products to hospitals or medical centers directly or through distributors and platform distributors. As of December 31, 2022, we cooperated with 44 distributors and 7 platform distributors for the sales of our products to hospitals and medical institutions in China. We also cooperated with nine distributors for the sales of our products overseas. As of December 31, 2022, we directly sold our products to two hospitals in China and five hospitals overseas.

For the year ended December 31, 2022, the Group's sales to its five largest customers accounted for approximately 81.3% of the Group's total sales and sales to the largest customer accounted for approximately 30.4%.

All of our five largest customers during the year ended December 31, 2022 are Independent Third Parties. So far as our Directors are aware, none of our Directors or executive officers of our Company or its subsidiaries, their respective associates or any Shareholders of our Company holding more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering, had any interests in any of our five largest customers during the year ended December 31, 2022 and up to the date of this annual report.

Suppliers

During the year ended December 31, 2022, our suppliers mainly include research institutions, raw material suppliers, technology developers and property management service providers.

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

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

For the year ended December 31, 2022, purchases from the Group's five largest suppliers accounted for approximately 16.4% of the Group's total purchases and purchases from the largest supplier accounted for approximately 5.3%.

All of our five largest suppliers during the year ended December 31, 2022 are Independent Third Parties. So far as our Directors are aware, none of our Directors or executive officers of our Company or its subsidiaries, their respective associates or any Shareholders of our Company holding more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering, had any interests in any of our five largest suppliers during the year ended December 31, 2021 and up to the date of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2022 are set out in note 30 to the consolidated financial statements.

As at December 31, 2022, the issued share capital of the Company was 313,389,171 Shares.

RESERVES

Details of movements in the reserves of the Group during the year ended December 31, 2022 are set out in the consolidated statement of changes in equity on page 74 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2022, we did not have any distributable reserves.

BANK BORROWINGS

Particulars of bank borrowings of the Company as at December 31, 2022 are set out in note 23 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2022 are set out in note 12 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Immediately after the closing of the Partial Offer on February 9, 2023, the public float of our Company was approximately 22.58% of the issued Shares immediately following the close of the Partial Offer, which was less than the minimum public float requirement of 25% of the issued Shares as required under Rule 8.08(1)(a) and Rule 13.32(1) of the Listing Rules.

Following the close of the Partial Offer, our Company has applied to the Stock Exchange, and the Stock Exchange had granted a waiver from strict compliance with Rule 8.08(1)(a) and Rule 13.32(1) of the Listing Rules commencing from the Final Closing Date (i.e. February 9, 2023) to June 23, 2023 (both days inclusive). Further announcement(s) will be made regarding the restoration of public float as and when appropriate.

For details, please refer to (i) the composite offer and response document dated January 3, 2023 (the "**Composite Document**"); (ii) the joint announcement dated February 9, 2023 (the "**Final Closing Date Announcement**"), each jointly issued by the Offeror and the Company in relation to the Partial Offer; and (iii) announcement dated February 17, 2023 issued by our Company. Unless otherwise stated, capitalized terms used above shall have the same meanings as those used in the Composite Document and the Final Closing Date Announcement.

PRE-EMPTIVE RIGHTS

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

DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company during the year ended December 31, 2022 and up to the date of this annual report are set out below:

Name	Position in the Company	Appointment date of current term
Directors		
Ms. Jing LI	Chairperson of the Board, Executive Director and chief executive officer	December 3, 2020
Mr. Silvio Rudolf SCHAFFNER	Executive Director and chief operating officer	December 3, 2020
Mr. Arthur Crosswell BUTCHER[1]	Non-executive Director	February 9, 2023
Ms. June CHANG[2]	Non-executive Director	February 9, 2023
Mr. Ke TANG[3]	Non-executive Director	December 3, 2020
Mr. Chen CHEN[4]	Non-executive Director	December 3, 2020
Dr. Yuqi WANG	Independent Non-executive Director	January 29, 2021 (effective from the Listing Date)
Ms. Hong NI	Independent Non-executive Director	January 29, 2021 (effective from the Listing Date)
Ms. Kin Yee POON	Independent Non-executive Director	January 29, 2021 (effective from the Listing Date)
Senior management		
Ms. Jing LI	Chief executive officer	March 10, 2017
Dr. Ulrich Reinhold SPECK	Chief technology officer	October 3, 2020
Mr. Silvio Rudolf SCHAFFNER	Chief operating officer	March 10, 2017
Ms. Hui ZHANG	Vice-president of marketing and sales	March 10, 2017
Ms. Weijia LI	Vice-president of clinical and regulations	March 10, 2017

Notes:

(1) Mr. Arthur Crosswell BUTCHER was appointed as the non-executive Director on February 9, 2023.

(2) Ms. June CHANG was appointed as the non-executive Director on February 9, 2023.

(3) Mr. Ke TANG resigned as the non-executive Director on February 9, 2023.

(4) Mr. Chen CHEN resigned as the non-executive Director on February 9, 2023.

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

In accordance with articles 16.2 and 16.19 of the Articles of Association, Ms. Jing LI, Mr. Silvio Rudolf SCHAFFNER, Mr. Arthur Crosswell BUTCHER and Ms. June CHANG will retire by rotation, and being eligible, have offered themselves for re-election as Directors at the forthcoming annual general meeting.

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

Biographical details of the Directors and senior management are set out on pages 28 to 33 of this annual report.

SERVICE AGREEMENTS OF DIRECTORS

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

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

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

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at December 31, 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Total number of Shares/underlying Shares held[1]	Approximate percentage of shareholding interest in the Company (%)[1]
Ms. Jing LI ("**Ms. Li**")	Controlled corporation[2]	55,291,087 (L)	17.64%
Mr. Silvio Rudolf SCHAFFNER ("**Mr. Schaffner**")	Beneficial owner[3]	4,272,065 (L)	1.36%

Notes:

(1) As at December 31, 2022, the Company had issued 313,389,171 Shares in total. The letter "L" denotes the person's long position in the Shares.

(2) Cosmic Elite Holdings Limited is a subsidiary owned as to 95.31% by Nexus Partners Group Limited. Nexus Partners Group Limited is wholly owned by Vistra Trust (Singapore) Pte. Limited (as the trustee of Joy Avenue Family Trust which was established by Ms. Li as the settlor). On December 10, 2022, Cosmic Elite and Ms. Li entered into the Cosmic Elite Irrevocable Undertaking with the Offeror tendering 21,531,324 Shares (Capitalised terms used herein have the same meanings as defined in the announcement dated December 12, 2022.) The voting rights attached to the Shares held by Sino Fame Ventures Limited ("**Sino Fame**") are vested with Ms. Li. Therefore, Ms. Li is deemed to be interested in the 43,062,647 Shares held by Cosmic Elite Holdings Limited and 12,228,440 Shares held by Sino Fame under the SFO.

(3) Mr. Schaffner has accepted the partial offer in respect of 4,272,065 Shares.

Save as disclosed above, as at December 31, 2022, none of the Directors of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2022, to the best knowledge of the Directors or chief executives of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held[1]	Approximate percentage of shareholding interest in the Company (%)[1]
Boston Scientific Group plc ("**BSG**")[2]	Beneficial owner	188,467,990 (L)	60.14%
Target Therapeutics, Inc ("**TTI**")[2]	Interest in controlled corporation	188,467,990 (L)	60.14%
Guidant Delaware Holding Corporation ("**GDHC**")[2]	Interest in controlled corporation	188,467,990 (L)	60.14%
Boston Scientific Scimed, Inc. ("**BSS**")[2]	Interest in controlled corporation	188,467,990 (L)	60.14%
Boston Scientific Corporation ("**BSC**")[2]	Interest in controlled corporation	188,467,990 (L)	60.14%
CA Medtech Investment (Cayman) Limited ("**CA Medtech**")[3]	Beneficial owner	158,614,642 (L)	50.61%
CA Medtech Investment II Limited ("**CA Medtech II**")[3]	Interest in controlled corporation	158,614,642 (L)	50.61%
CA Medtech Investment III Limited ("**CA Medtech III**")[3]	Interest in controlled corporation	158,614,642 (L)	50.61%
CPEChina Fund III, L.P. ("**CPEChina Fund III**")[3]	Interest in controlled corporation	161,877,642 (L)	51.65%
CPE Funds III Limited ("**CPE Funds III**")[3]	Interest in controlled corporation; interest jointly held with another person	161,877,642 (L)	51.65%
CPE Holdings Limited[3]	Interest in controlled corporation	161,877,642 (L)	51.65%
CPE Holdings International Limited[3]	Interest in controlled corporation	161,877,642 (L)	51.65%
CPE Global Opportunities Fund, L.P. ("**CPE Global Opportunities Fund**")[3]	Interest in controlled corporation	161,877,642 (L)	51.65%
CPE GOF GP Limited ("**CPE GOF**")[3]	Interest in controlled corporation; interest jointly held with another person	161,877,642 (L)	51.65%
Cosmic Elite Holdings Limited ("**Cosmic Elite**")[4]	Beneficial owner	43,062,647 (L)	13.74%
Nexus Partners Group Limited[4]	Interest in controlled corporation	43,062,647 (L)	13.74%
Vistra Trust (Singapore) Trustee Pte. Limited[4]	Trustee	43,062,647 (L)	13.74%

Notes:

(1) As at December 31, 2022, the Company had issued 313,389,171 Shares in total. The letter "L" denotes the person's long position in the shares.

(2) BSG is wholly-owned by TTI, which is indirectly held as to 48.78% by GDHC and 51.22% by BSS. Both GDHC and BSS are wholly-owned by BSC. Pursuant to the announcement of the Company dated December 12, 2022, assumption that a maximum number of 161,877,642 Shares will be tendered under the CPE Irrevocable Undertaking, 21,531,324 Shares will be tendered under the Cosmic Elite Irrevocable Undertaking and 5,059,024 Shares will be tendered under the Bliss Way Irrevocable Undertaking (Capitalised terms used herein have the same meanings as defined in the said announcement.). Therefore, BSC is deemed to be interested in the 188,467,990 Shares held by BSG.

(3) CA Medtech is wholly-owned by CA Medtech II and CA Medtech III, a subsidiary owned as to approximately 85.61% by CPEChina Fund III, an exempted limited partnership registered in the Cayman Islands, whose general partner is CPE Funds III, and as to approximately 14.39% by CPE Global Opportunities Fund, an exempted limited partnership registered in the Cayman Islands, whose general partner is CPE GOF. CPE Funds III and CPE GOF could jointly control the exercise of the voting power held by CA Medtech. CPE Funds III is a wholly-owned subsidiary of CPE Holdings Limited, which is in turn wholly owned by CPE Holdings International Limited. CPE Holdings International Limited is owned by a number of shareholders that are natural persons, each holding less than 10% in CPE Holdings International Limited. CA Medtech has undertaken to accept the partial offer in respect of 146,208,184 to 158,614,642 Shares pursuant to the CPE Irrevocable Undertaking executed on December 10, 2022. (Capitalised terms used herein have the same meanings as defined in the announcement of the Company dated December 12, 2022.) CPE Investment Wu Limited held 3,263,000 Shares of the Company. CPE Investment Wu Limited is held as to 85.16% by CPEChina Fund III and 14.39% by CPE Global Opportunities Fund.

(4) Cosmic Elite Holdings Limited is a subsidiary owned as to 95.31% by Nexus Partners Group Limited. Nexus Partners Group Limited is wholly owned by Vistra Trust (Singapore) Pte. Limited (as the trustee of Joy Avenue Family Trust which was established by Ms. Li as the settlor). On December 10, 2022, Cosmic Elite and Ms. Li entered into the Cosmic Elite Irrevocable Undertaking with the Offeror tendering 21,531,324 Shares. Capitalised terms used herein have the same meanings as defined in the announcement dated December 12, 2022. The voting rights attached to the Shares held by Sino Fame Ventures Limited ("Sino Fame") are vested with Ms. Li. Therefore, Ms. Li is deemed to be interested in the 43,062,647 Shares held by Cosmic Elite Holdings Limited and 12,228,440 Shares held by Sino Fame under the SFO.

Save as disclosed above, as at December 31, 2022, the Company had not been notified by any other persons (other than the Directors of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

ISSUANCE OF DEBENTURES

During the year ended December 31, 2022, no issuance of debentures was made by the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

To the knowledge of the Board, none of the Directors or their associates had any interests in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended December 31, 2022.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended December 31, 2022 are set out in note 33 to the consolidated financial statements.

During the year ended December 31, 2022, the related party transactions in respect of sales of goods as disclosed in note 33 to the consolidated financial statements constitute connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significance in relation to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended December 31, 2022 or at the end of the year ended December 31, 2022.

CONTRACT OF SIGNIFICANCE

No contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries during the year ended December 31, 2022.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2022 between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2022, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the Directors and officers of the Company and its associated companies during the year ended December 31, 2022 as at the date of this annual report.

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

STAFF, EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

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

In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. The remuneration package of our employees includes salary and bonus, which are generally based on their qualifications, industry experience, position and performance. We consider the remuneration package of our employees to be competitive among our domestic competitors. We, by ourselves or through third-party human resource agencies, make contributions to social insurance and housing provident funds for our employees as required by the applicable PRC laws and regulations, and did not have any material non-compliance in this regard during the year ended December 31, 2022.

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

Details of the emoluments of the Directors and five highest paid individuals for the year ended December 31, 2022 are set out in notes 9 and 10 to the consolidated financial statements.

The table below shows the emolument of senior management by band for the year ended December 31, 2022:

Emoluments bands in Hong Kong Dollars ("HKD")	Number of Individuals
HKD2,000,001 to HKD2,500,000	1
HKD2,500,001 to HKD3,000,000	2
HKD3,000,001 to HKD3,500,000	2
HKD4,000,000 to HKD4,500,000	1

RESTRICTED SHARE UNIT SCHEME

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

(a) Purpose of the RSU Scheme

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

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

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

(b) Participants of the RSU Scheme

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

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

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

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

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

Number of Shares that may be delivered under the RSU Scheme are 12,228,440 shares of the Company that are held by Sino Fame Ventures Limited ("**Sino Fame**"), a nominee shareholder on trust for the RSU Scheme. Subject to the total numbers of Shares available under the RSU Scheme and requirements under the Listing Rules, no maximum entitlement of each participant was set up under the RSU Scheme.

During the Reporting Period, our Company had granted 1,760,000 restricted Shares and subsequently forfeited 60,000 restricted Shares to 66 grantees, representing approximately 0.5% of the total number of Shares in issue. All the restricted shares were granted at nil consideration. During the Reporting Period, the number of Shares underlying the restricted Shares that granted under the RSU Scheme divided by the weighted average number of total Shares in issue during the Reporting Period is approximately 3.5%.

The table below shows details of the restricted Shares granted under the RSU Scheme during the Reporting Period:

Grantees [1]	No. of restricted Shares at January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Closing price of the Shares immediately before the date on which the awards were granted	Weighted average closing price of the Shares immediately before the vesting date	Date of grant	Validity period	Vesting schedule	Fair value of restricted Shares at the date of grant and the accounting standard and policy adopted[2]	Forfeited/ Cancelled/ Lapsed during the Reporting Period	No. of restricted Shares at December 31, 2022	Approximate percentage of total number of Shares in issue as of December 31, 2022
55 employees	-	1,540,000	1,480,000[3]	HK$11.14	HK$11.18	January 27, 2022	10 years	The 1,480,000 restricted Shares were vested on December 12, 2022 without vesting conditions.	HK$15,895,200	60,000	-	-
Two employees	-	130,000	130,000	HK$8.47	HK$8.47	July 1, 2022	10 years	The restricted Shares were granted without vesting conditions at nil consideration, which were vested immediately on the same date.	HK$1,101,100	-	-	-
Nine employees	-	90,000	90,000	HK$17.18	HK$17.18	December 31, 2022	10 years	The restricted Shares were granted without vesting conditions at nil consideration, which were vested immediately on the same date.	HK$1,546,200	-	-	-
Total	**12,228,440 [4]**	**1,760,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,000**	**10,528,440**	**3.4%**

Notes:

1. The grantees of the restricted shares are current employees of our Group. None of the grantees are (i) Directors, chief executive or substantial Shareholders of our Company, or their respective associate; (ii) granted and to be granted in excess of the 1% individual limited; and (iii) related entity participant or service provider with restricted shares granted and to be granted in any 12-month period exceeding 0.1% of the total number of Shares in issue.

2. The fair value of the granted restricted shares was determined based on the market value of our Company's shares at the grant date.

3. On December 12, 2022, the Company approved the adjustment to the vesting condition, that the remaining vesting condition was cancelled and the outstanding unvested 1,480,000 restricted shares on the same date were vested immediately.

4. As at January 1, 2022, Sino Fame held 12,228,440 restricted Shares of the Company under the RSU Scheme.

During the year ended December 31, 2022, 10,528,440 ordinary Shares were held by Sino Fame and were not granted. No restricted shares were outstanding under the RSU Scheme as at December 31, 2022.

(d) Vesting terms

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

SHARE AWARD SCHEME

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

(a) Purpose of the Share Award Scheme

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

(b) Administration of the Share Award Scheme

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

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

(c) Grant of Award

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

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

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

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

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

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

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

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

(d) Timing of Awards

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

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

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

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

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

(e) Maximum Number of Shares to be Granted

The total number of Award Shares made pursuant to the Share Award Scheme shall not exceed 10% of the total number of issued Shares as at the Adoption Date. Subject to the total numbers of Award Shares available under the Share Award Scheme and requirements under the Listing Rules, no maximum entitlement of each participant was set up under the Share Award Scheme.

(f) Satisfaction of Awards

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

(g) Vesting of Award Shares

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

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

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

(h) Lapse and Forfeiture of Award

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

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

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

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

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

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

(i) Assignment of Award

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

(j) Voting Rights

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

(k) Dividend

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

(l) Alteration of the Share Award Scheme

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

(m) Termination

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

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

(n) Award Shares Granted

The Trust acquired 2,004,000 Award Shares from the market at an average prevailing market price of approximately HKD9.94 (equivalent to approximately RMB8.26) per Share for the year ended December 31, 2022. No Award Shares were granted, vested, cancelled or lapsed under the Share Award Scheme during the year ended December 31, 2022.

EQUITY-LINKED AGREEMENTS

No equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended December 31, 2022.

CHARITABLE DONATIONS

The donations made by the Group during the year ended December 31, 2022 amounted to RMB1,310,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this annual report, during the year ended December 31, 2022, except for the Global Offering in connection with the Listing, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM LISTING

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

The intended uses and the balance of the Net Proceeds as at December 31, 2022 are set out below:

Intended use of proceeds as stated in the Prospectus	Percentage to total amount %	Net proceeds RMB'000	Utilised amount as at December 31, 2022 RMB'000	Unutilised amount as at December 31, 2022 RMB'000	Expected timeline for unutilized amount
Development and commercialization of our Core Products	32	414,067	122,465	291,602	Year 2027
Development and commercialization of other 24 products	23	297,611	124,449	173,162	Year 2024
Expand our production capacity and strengthen our manufacturing capabilities	7	90,577	15,698	74,879	Year 2023
Expand our product portfolio through in-house research and development, collaboration, mergers and acquisitions, in-licensing or equity investments	24	310,550	34,396	276,154	Year 2024
Working capital and other general corporate purposes	8	103,517	44,103	59,414	Year 2025
Repay the Loan	6	77,638	77,638	–	N/A
Total	**100**	**1,293,960**	**418,749**	**875,211**	

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on page 54 of this annual report.

AUDIT COMMITTEE

The audit committee of the Company, together with the management and the external auditor, had reviewed the accounting policies and practices adopted by the Group as well as the internal control matters, and had also reviewed the Group's consolidated financial statements for the year ended December 31, 2022.

AUDITOR

Deloitte Touche Tohmatsu ("**Deloitte**") retired as the auditor of the Company upon expiration of its the term of office at the conclusion of the annual general meeting of the Company held on May 26, 2022 and was not standing for re-appointment.

On April 22, 2022, as recommended by the Audit Committee, the Board has resolved to appoint KPMG as the Company's auditor for the year 2022 following the retirement of Deloitte.

KPMG has been appointed as the auditor of the Company in the 2022 annual general meeting of the Company to hold office until the conclusion of the next following annual general meeting of the Company. Save as disclosed herein, there were no other changes in auditor of the Company during the past three years.

The consolidated financial statements of the Group for the year ended December 31, 2022 have been audited by KMPG, who will retire and, being eligible, offer themselves for re-appointment, and a resolution to this effect shall be proposed at the forthcoming annual general meeting.

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

Hong Kong, March 23, 2023

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and complied with the applicable code provisions during the Reporting Period save for deviation from code provisions C.2.1 and F.1.1 as disclosed below.

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

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interest of the Company as well as aligning the Company's culture with its purpose, value and strategy.

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

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

Board Composition

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

Name	Position in the Company
Ms. Jing LI	Chairperson of the Board, Executive Director and chief executive officer
Mr. Silvio Rudolf SCHAFFNER	Executive Director and chief operating officer
Mr. Arthur Crosswell BUTCHER (appointed on February 9, 2023)	Non-executive Director
Ms. June CHANG (appointed on February 9, 2023)	Non-executive Director
Mr. Ke TANG (resigned on February 9, 2023)	Non-executive Director
Mr. Chen CHEN (resigned on February 9, 2023)	Non-executive Director
Dr. Yuqi WANG	Independent Non-executive Director
Ms. Hong NI	Independent Non-executive Director
Ms. Kin Yee POON	Independent Non-executive Director

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

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

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

Chairman and Chief Executive Officer

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

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

Independent Non-executive Directors

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

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

Independent View

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board ensures the appointment of at least three independent non-executive directors and at least one-third of its members being independent non-executive directors. Further, independent non-executive directors will be appointed to committees of the Board as required under the Listing Rules and as far as practicable to ensure independent views and input are available. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive directors, and is mandated to assess annually the independence of independent non-executive directors to ensure that they can continually exercise independent judgement. All Directors may also obtain independent professional advice at the Company's expense for carry out their functions.

Appointment and Re-election of Directors

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

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

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

During the year ended December 31, 2022, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended December 31, 2022 and up to the date of this annual report are summarised as follows:

Name of Directors	Attending training, briefings, seminars, conferences and workshops relevant to the Company's industry and business, director's duties and/or corporate governance	Reading news alerts, newspapers, journals, magazines and publications relevant to the Company's industry and business, director's duties and/or corporate governance
Executive Directors		
Ms. Jing LI	✓	✓
Mr. Silvio Rudolf SCHAFFNER	✓	✓
Non-Executive Directors		
Mr. Arthur Crosswell BUTCHER[1]	✓	✓
Ms. June CHANG[2]	✓	✓
Mr. Ke TANG[3]	✓	✓
Mr. Chen CHEN[4]	✓	✓
Independent Non-Executive Directors		
Dr. Yuqi WANG	✓	✓
Ms. Hong NI	✓	✓
Ms. Kin Yee POON	✓	✓

Notes:

(1) Mr. Arthur Crosswell BUTCHER was appointed as the non-executive Director on February 9, 2023.
(2) Ms. June CHANG was appointed as the non-executive Director on February 9, 2023.
(3) Mr. Ke TANG resigned as the non-executive Director on February 9, 2023.
(4) Mr. Chen CHEN resigned as the non-executive Director on February 9, 2023.

BOARD COMMITTEES

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

Audit Committee

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

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

During the Reporting Period, the Audit Committee held three meetings to discuss interim results for the six months ended June 30, 2022, annual results for the year ended December 31, 2021, audit plan for the year 2022, significant issues on the financial reporting, operational and compliance controls, effectiveness of the risk management and internal control systems and internal audit function.

The Audit Committee considers that the annual financial results for the year ended December 31, 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

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

Remuneration Committee

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

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management, establishing a formal and transparent procedure for developing remuneration policy to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee held one meeting to review the remuneration policy and structure of the Company and assessed the performance and remuneration packages of the Directors and senior management, and made recommendations to the Board, where appropriate. No material matters relating to share schemes under Chapter 17 of the Listing Rules were required to be reviewed or approved by the Remuneration Committee during the Reporting Period.

Nomination Committee

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

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

During the Reporting Period, the Nomination Committee held one meeting to discuss the nomination and appointment matters of Directors, and review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

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

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

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

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the basic principles to be followed to ensure that the board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Pursuant to the Board Diversity Policy, the Company seeks to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Board currently consists of four female Directors and three male Directors, and the balanced mix of two executive Directors, two non-executive Directors and three independent non-executive Directors with a balanced mix of gender, knowledge, skills, perspectives and experience, including overall management and strategic development, business, science, clinical research, finance, investment, accounting and consulting. The Directors are of the opinion that Board diversity (including gender diversity) has been achieved with reference to the current circumstances of the Company, and the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Shareholders. We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female potential successors to the Board. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the Board.

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

Workforce Diversity

The Group follows the principles of openness and equality and does not discriminate against applicants on the basis of gender, race, age, religious beliefs, and other factors. The Group actively promotes diversity in the workforce and encourages the employment of employees from all backgrounds. The Group has established systematic external and internal recruitment management process to ensure the quality of recruitment and select qualified and outstanding talents.

As at December 31, 2022, the gender ratio in the workforce (including senior management) is 220 (male): 370 (female). For further details of gender ratio together with the relevant data, please refer to the section headed "Equal Employment with Protected Rights" under the Environmental, Social and Governance Report.

CORPORATE GOVERNANCE FUNCTIONS

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

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and compliance manual, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

During the Reporting Period, the Company in accordance with code provision C.5.1 of the CG Code, has adopted the practice of holding Board meetings regularly with at least four times a year, and at approximately quarterly intervals with active participation of majority of the Directors, either in person or through electronic means of communication.

The attendance records of each Director at the Board and Board committee meetings of the Company held during the Reporting Period are set out below:

	Attendance/Number of Meeting(s)				
Name of Director	Board meeting(s)	Audit Committee meeting(s)	Remuneration Committee meeting(s)	Nomination Committee meetings(s)	General meeting(s)
Executive Directors					
Ms. Jing LI	4/4	N/A	1/1	1/1	1/1
Mr. Silvio Rudolf SCHAFFNER	4/4	N/A	N/A	N/A	1/1
Non-Executive Directors					
Mr. Arthur Crosswell BUTCHER[1]	0/0	N/A	N/A	N/A	N/A
Ms. June CHANG[2]	0/0	0/0	N/A	N/A	N/A
Mr. Ke TANG[3]	4/4	N/A	N/A	N/A	1/1
Mr. Chen CHEN[4]	4/4	3/3	N/A	N/A	1/1
Independent Non-Executive Directors					
Dr. Yuqi WANG	4/4	3/3	1/1	1/1	1/1
Ms. Hong NI	4/4	N/A	1/1	1/1	1/1
Ms. Kin Yee POON	4/4	3/3	N/A	N/A	1/1

Notes:

(1) Mr. Arthur Crosswell BUTCHER was appointed as the non-executive Director on February 9, 2023.
(2) Ms. June CHANG was appointed as the non-executive Director on February 9, 2023.
(3) Mr. Ke TANG resigned as the non-executive Director on February 9, 2023.
(4) Mr. Chen CHEN resigned as the non-executive Director on February 9, 2023.

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its overall responsibility for the risk management and internal control systems, reviewing their effectiveness at least once a year through Audit Committee. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance that there will be no material misrepresentation or losses. During the year of 2022, the Audit Committee has reviewed the Company's risk management and internal control systems and processes which covered the whole financial year.

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

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

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

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

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

INSIDE INFORMATION

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors. Having made specific enquiries of all the Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Reporting Period.

The Company's relevant employees, who because of his/her office or employment, are likely to be in possession of inside information of the Company, are also subject to the Model Code. The Company is not aware of any noncompliance of the Model Code by the relevant employees of the Group during the Reporting Period.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022.

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

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

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

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

AUDITORS' REMUNERATION

The total fee paid/payable to the external auditors of the Company, KPMG, in respect of audit services and non-audit services for the year ended December 31, 2022 is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit Services	2,500
Non-audit Services	370
	2,870

JOINT COMPANY SECRETARIES

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

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

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

During the year ended December 31, 2022, each of Mr. Li and Ms. Li has undertaken not less than 15 hours of relevant professional training.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

Procedures for Shareholders to Convene Extraordinary General Meeting

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

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

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

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

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

Putting Forward Proposals at General Meeting

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

Putting Forward Enquiries to the Board

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

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

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

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

Change in constitutional documents

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

On March 23, 2023, the Board resolved to propose certain amendments to the current memorandum and articles of association of the Company, subject to approval by the Shareholders at the forthcoming annual general meeting. For more details, please refer to the announcement of the Company dated March 23, 2023.

Shareholders' Communication Policy

The Shareholders' Communication Policy aims to set out the provisions which ensure that the Shareholders and in appropriate circumstances, the investment community at large (which include the Company's potential investors as well as analysts who report and analyze the Company's performance), are timely provided with information about the Company (including its financial performance, strategic goals and plans, material developments and corporate governance), in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication between the Shareholders, the investment community and the Company.

During the Reporting Period, the Company reviewed the implementation and effectiveness of the Shareholders' Communication Policy, including the multiple communication channels for the Shareholders in place and the steps taken to handle Shareholders' enquiries, and considered that the Shareholders' Communication Policy has been properly implemented and effective.

Dividend Policy

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

Independent Auditor's Report

TO THE BOARD OF DIRECTORS OF
ACOTEC SCIENTIFIC HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Acotec Scientific Holdings Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 71 to 144, which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of 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**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

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

KEY AUDIT MATTER *(continued)*

Revenue Recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on pages 93 to 95.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue primarily derived from provision of treatment solutions for vascular diseases to its customers. The Group recognises revenue at the point in time when control of the goods is transferred to the customer. Depending on the terms of the contracts, this point in time will either be when the goods are delivered to the customer's premises or a location designated by the customer for domestic sales, or when the goods are loaded on board of shipping vessels for export sales. We identified the recognition of revenue as a key audit matter because revenue is a key performance indicator of the Group and its significance to the consolidated financial statements which increase the risk of misstatement of revenue recognition.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition; • inspecting, on a sample basis, key customer contracts to identify terms and conditions relating to goods acceptance and assessing the Group's policies in respect of the recognition of revenue with reference to the requirements of the prevailing accounting standards; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying documentation, including shipping documents and goods acceptance notes, as applicable under the different sales contracts, to assess whether the related revenue had been recognised in the appropriate financial period on the basis of the sales terms as set out in the respective sales contracts; • on a sample basis, obtaining confirmations from customers of the Group, on sales transactions during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with underlying documentation; and • inspecting manual journal entries relating to revenue recognition during the year which were considered to meet specific risk-based criteria, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of 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.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Ting Yuen.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 23, 2023

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022
(Expressed in Renminbi ("RMB"))

	NOTE	2022 RMB'000	2021 RMB'000
Revenue	4	**395,545**	303,813
Cost of sales		**(59,192)**	(37,874)
Gross profit		**336,353**	265,939
Other income	5	**28,143**	11,433
Other net gains/(losses)	6	**51,989**	(8,837)
Loss on fair value change of preferred shares		**–**	(33,458)
(Recognition)/reversal of impairment losses on trade receivables		**(107)**	813
Selling and distribution expenses		**(72,661)**	(58,801)
Research and development expenses		**(183,796)**	(141,288)
Administrative expenses		**(87,846)**	(58,091)
Listing expenses		**–**	(41,129)
Profit/(loss) from operations		**72,075**	(63,419)
Finance costs	7(a)	**(1,756)**	(3,824)
Profit/(loss) before taxation	7	**70,319**	(67,243)
Income tax	8	**(177)**	(11,834)
Profit/(loss) for the year		**70,142**	(79,077)
Attributable to:			
Equity shareholders of the Company		**70,142**	(79,077)
Profit/(loss) for the year		**70,142**	(79,077)
Earnings/(loss) per share (RMB)	11		
Basic		**0.23**	(0.32)
Diluted		**0.23**	(0.32)

The notes on pages 77 to 144 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 30(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022
(Expressed in Renminbi ("RMB"))

	2022 RMB'000	2021 RMB'000
Profit/(loss) for the year	**70,142**	(79,077)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of		
– financial statements of entities with functional currencies other than RMB	**62**	–
Other comprehensive income for the year	**62**	–
Total comprehensive income for the year	**70,204**	(79,077)
Attributable to:		
Equity shareholders of the Company	**70,204**	(79,077)
Total comprehensive income for the year	**70,204**	(79,077)

The notes on pages 77 to 144 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi ("RMB"))

	NOTE	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current assets			
Property, plant and equipment	12	**68,928**	33,398
Right-of-use assets	13	**45,202**	16,836
Intangible assets	14	**5,098**	2,995
Goodwill	15	**1,150**	1,150
Interest in an associate	17	**15,550**	–
Financial assets at fair value through profit or loss (FVPL)	18	**7,260**	–
Deposits paid for acquisition of property, plant and equipment		**5,533**	6,688
Rental deposits		**5,386**	2,503
Deferred tax assets	28(b)	**–**	271
		154,107	63,841
Current assets			
Inventories	19	**116,435**	41,553
Trade receivables	20	**131,909**	44,214
Prepayments, deposits and other receivables	21	**21,439**	18,824
Pledged deposits	22	**200**	1,750
Cash and cash equivalents	23	**986,455**	1,137,184
		1,256,438	1,243,525
Current liabilities			
Trade and other payables	24	**74,090**	62,159
Contract liabilities	25	**12,322**	8,016
Bank loans	26	**–**	6,000
Lease liabilities	27	**12,263**	6,806
Current taxation	28(a)	**–**	5,131
		98,675	88,112
Net current assets		**1,157,763**	1,155,413
Total assets less current liabilities		**1,311,870**	1,219,254

The notes on pages 77 to 144 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi ("RMB"))

	NOTE	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current liabilities			
Lease liabilities	27	**35,521**	11,765
Deferred tax liabilities	28(b)	**260**	295
		35,781	12,060
NET ASSETS		**1,276,089**	1,207,194
CAPITAL AND RESERVES			
Share capital	30	**20**	20
Reserves	30	**1,276,069**	1,207,174
Total equity attributable to equity shareholders of the Company		**1,276,089**	1,207,194
TOTAL EQUITY		**1,276,089**	1,207,194

Approved and authorised for issue by the board of directors on March 23, 2023.

Jing LI	)	
	)	
	)	
	)	Directors
	)	
	)	
Silvio Rudolf SCHAFFNER	)	

The notes on pages 77 to 144 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

(Expressed in Renminbi ("RMB"))

	NOTE	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Shares held under RSU Scheme RMB'000	Share based payments reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at January 1, 2021		14	(267,373)	-	-	-	172,495	2,500	-	1,113	(189,758)	(281,009)
Changes in equity for 2021:												
Loss and total comprehensive income for the year		-	-	-	-	-	-	-	-	-	(79,077)	(79,077)
Issuance of shares for restricted share unit scheme	29(b)	1	-	-	(1)	-	-	-	-	-	-	-
Shares issued under an employee incentive platform	29(a)	1	72,745	-	-	33,356	-	-	-	-	-	106,102
Issuance of preferred shares as deemed distribution		(1)	-	-	-	-	-	-	-	(103,532)	-	(103,533)
Share issued upon global offering		4	1,358,467	-	-	-	-	-	-	-	-	1,358,471
Share issuance cost related to the global offering		-	(64,511)	-	-	-	-	-	-	-	-	(64,511)
Conversion of preferred shares upon global offering		1	270,750	-	-	-	-	-	-	-	-	270,751
Balance at December 31, 2021 and January 1, 2022		20	1,370,078	-	(1)	33,356	172,495	2,500	-	(102,419)	(268,835)	1,207,194
Changes in equity for 2022:												
Profit for the year		-	-	-	-	-	-	-	-	-	70,142	70,142
Other comprehensive income		-	-	-	-	-	-	-	62	-	-	62
Total comprehensive income		-	-	-	-	-	-	-	62	-	70,142	70,204
Equity settled share-based transactions	29(b)	-	-	-	-*	15,251	-	-	-	-	-	15,251
Repurchase of shares for share award scheme	29(c)	-	-	(16,560)	-	-	-	-	-	-	-	(16,560)
Balance at December 31, 2022		20	1,370,078	(16,560)	(1)	48,607	172,495	2,500	62	(102,419)	(198,693)	1,276,089

* The balance represents an amount less than RMB1,000.

The notes on pages 77 to 144 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2022
(Expressed in Renminbi ("RMB"))

	NOTE	2022 RMB'000	2021 RMB'000
Operating activities			
Cash used in operations	23(b)	(63,683)	(1,884)
Tax paid	28(a)	(5,072)	(8,594)
Net cash used in operating activities		(68,755)	(10,478)
Investing activities			
Payment of rental deposits		(2,883)	(669)
Payments for the purchase of property, plant and equipment		(43,410)	(20,360)
Payments for the purchase of intangible assets		(3,286)	(878)
Payments for the purchase of financial assets at FVPL		(7,450)	(39,000)
Proceeds from disposal of financial assets at FVPL		–	39,057
Decrease/(increase) in pledged bank deposits		1,550	(1,750)
Payment for acquisition of interest in an associate		(15,550)	–
Interest received		21,859	3,124
Net cash used in investing activities		(49,170)	(20,476)
Financing activities			
New bank borrowings raised	23(c)	–	152,772
Repayment of bank loans	23(c)	(6,000)	(166,696)
Interest paid	23(c)	(366)	(2,802)
Proceeds from issuance of preferred shares	23(c)	–	3,262
Proceeds from issuance of shares under employee incentive platform		–	72,746
Dividend paid		–	(323,085)
Proceeds from issuance of shares upon global offering		–	1,358,471
Payment of share issuance cost related to the global offering	23(c)	–	(63,399)
Payment for the repurchase of shares for share award scheme		(16,560)	–
Capital element of lease rentals paid	23(c)	(8,550)	(6,145)
Interest element of lease rentals paid	23(c)	(1,390)	(1,022)
Net cash (used in)/generated from financing activities		(32,866)	1,024,102
Net (decrease)/increase in cash and cash equivalents		(150,791)	993,148
Cash and cash equivalents at 1 January	23(a)	1,137,184	147,097
Effect of foreign exchange rate changes		62	(3,061)
Cash and cash equivalents at 31 December	23(a)	986,455	1,137,184

The notes on pages 77 to 144 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi ("RMB") unless otherwise indicated)

1 GENERAL INFORMATION

Acotec Scientific Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on December 3, 2020, as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal place of business of the Group is located at 4-5/F., Building No.1, No.16 Hongda Road North, Beijing Economic-Technological Development Area, Beijing. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong limited (the "**HKEX**") on August 24, 2021. The Company and its subsidiaries (collectively as the "**Group**") are principally engaged in research and development on providing treatment solutions for vascular diseases.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IAS**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKEX. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2022 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in an associate.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the assets and liabilities are stated at their fair value as explained in the accounting policies set out in Note 2(g).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*

- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries *(continued)*

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interest within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(e)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(k)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see Note 2(k)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associate *(continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)).

In the Company's statement of financial position, investment in an associate are stated at cost less impairment losses (see Note 2(k)).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in debt and equity securities *(continued)*

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(u)(ii)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other net income with the policy.

(h) Property, plant and equipment

Property, plant and equipment, including right-of-use assets (see Note 2(j)) are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(w)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Property, plant and equipment *(continued)*

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, including right-of-use assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Machineries	5-10 years
– Motor vehicles	3-5 years
– Furniture, equipment and tools	3-10 years
– Leasehold improvements	Shorter of the term of the relevant lease or 5 years
– Right-of-use assets	Lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents plant and buildings under construction and equipment pending installation and is stated at cost less impairment losses (see Note 2(k)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(k)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Intangible assets (other than goodwill) *(continued)*

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Patent rights	10 years
– Software	1-10 years
– Product technology	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Leased assets *(continued)*

As a lessee *(continued)*

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Notes 2(g)(i), 2(u)(ii)(a) and 2(k)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments *(continued)*

Measurement of ECLs *(continued)*

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments *(continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments *(continued)*

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(u)(ii)(a) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries and interest in an associate in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment:

- **Calculation of recoverable amount**

  The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

- **Recognition of impairment losses**

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- **Reversals of impairment losses**

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Credit losses and impairment of assets *(continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(k)(i) and Note 2(k)(ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work in progress, costs include direct labour and appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)(i)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(n)).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction costs. All receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(w)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share-based payment awards (i.e. restricted shares) granted to employees is recognised as an employee cost with a corresponding increase in share-based payments reserve within equity. The fair value is measured at grant date by reference to the market price or the valuer's valuation of the underlying shares, without taking into consideration all non-market vesting conditions. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the equity instruments, the total estimated fair value of the equity instruments is spread over the vesting period, taking into account the probability that the restricted shares will vest.

During the vesting period, the number of equity instruments that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payments reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of equity instruments that vest (with a corresponding adjustment to the share-based payments reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss and accumulated in share-based payments reserve.

Where the share-based payment awards are forfeited due to a failure by the employees to satisfy the vesting conditions, the accumulated expenses previously recognised in relation to such awards are reversed at the date of the forfeiture. Where the share-based payment awards are cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

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

Share-based payment transactions in which the Company grants share based payment awards to subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's financial position which is eliminated on consolidation.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Revenue and other income *(continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Sale of medical devices

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within 90 days upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(a) Variable consideration

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

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

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

(b) Sale with a right of exchange

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Revenue and other income *(continued)*

Further details of the Group's revenue and other income recognition policies are as follows: (continued)

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

(b) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

Research and development expenses

Development expenses incurred on the Group's procedural medical product pipelines are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management assesses the progress of each of the research and development projects and determines whether the criteria are met for capitalisation. During the year ended December 31, 2022 and 2021, all research and development costs are expensed when incurred.

(b) Sources of estimation uncertainty

Notes 15, 29 and 31 contains information about the assumptions and their risk factors relating to goodwill impairment, fair value of share-based payments transactions and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

(ii) Sales with a right to exchange

Sales contracts with certain distributors allow certain distributors to exchange for unsold products with expiry date less than six months. Therefore, the Group has recognised a contract liability arising from sales with a right to exchange. Revenue for the products expected to be exchanged would not be recognised based on historical product exchange rate. Changing of the product exchange rate by certain distributors could materially affect the revenue amount.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the research and development on providing treatment solutions for vascular diseases.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Type of goods		
– Core products*	**307,283**	299,165
– Venous intervention and vascular access products	**86,033**	4,616
– Others	**2,229**	32
	395,545	303,813
Type of customers		
– Distributors	**380,450**	291,582
– Hospitals	**5,019**	5,578
– Overseas customers	**10,076**	6,653
	395,545	303,813

* The core products represent the drug-coated balloons ("**DCB**") products.

The Group mainly sells core products and other medical devices to its distributors and platform distributors (together as "**Distributors**").

Platform distributors are direct counter-parties and function as intermediary companies that purchase, store and resell products to hospitals and/or medical centers through their sub-distributors, helping the Group realise a relatively centralised management of a large number of sub-distributors.

During the year ended December 31, 2022 and 2021, the revenue is recognised at a point in time when the Distributors obtain the control of products, i.e. upon the receipts of the products by the Distributors.

Additional goods will be awarded to platform distributors' customers with nil consideration when platform distributors' customers have made cumulative amount of purchases within three months. Additional goods are normally provided based on 3%-5% of the purchase amounts made by these customers. The Group estimates the amounts of consideration to which it will be entitled for the additional goods using the expected value method and the consideration is then deferred as contract liabilities.

4 REVENUE AND SEGMENT REPORTING *(continued)*

(a) Revenue *(continued)*

(i) Disaggregation of revenue *(continued)*

Based on the Group's sales contracts with the platform distributors, except the right to exchange for certain unsold products with expiry date less than six months, they can only return or request for refund if the product delivered to them does not meet the pre-specified quality requirement; otherwise, the Group does not accept product returns without the management's consent.

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied in respect of the products as the Group's contract has an original expected duration of less than one year.

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	2022	2021
	RMB'000	RMB'000
Customer A	**120,215**	226,658
Customer B	**114,110**	–*
	234,325	226,658

* Transactions with this customer did not exceed 10% of the Group's revenue in the respective years.

(ii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, right-of-use assets, intangible assets, rental deposits and deposits paid for acquisition of property, plant and equipment ("**specified non-current assets**"). The geographical location of customers is based on the location at which the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, rental deposit, right-of-use assets and deposits paid for acquisition of property, plant and equipment, and the location of the operation to which they are allocated in the case of intangible assets.

Revenue from external customers

	2022	2021
	RMB'000	RMB'000
Mainland China	**385,469**	297,160
Europe	**3,912**	4,315
Other countries and regions	**6,164**	2,338
	395,545	303,813

4 REVENUE AND SEGMENT REPORTING *(continued)*

(a) Revenue *(continued)*

(ii) Geographic information *(continued)*

Specified non-current assets

	2022 **RMB'000**	2021 RMB'000
Mainland China	**126,091**	62,420
United States of America ("**United States**")	**3,678**	–
	129,769	62,420

(b) Segment reporting

For the purpose of resource allocation and assessment of segment performance, the management of the Group, being the chief operating decision maker, focuses and reviews on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

5 OTHER INCOME

	2022 RMB'000	2021 RMB'000
Government grants (Note)	**7,885**	6,708
Interest income	**20,258**	4,725
	28,143	11,433

Note:

During the year ended December 31, 2022, government grants mainly represent (i) the subsidies received from government bureau of RMB6,000,000 to reward enterprises for their listing as public companies, (ii) RMB1,673,000 (2021: RMB2,990,000) from the local government to reward their contribution to the local economy and encourage technology innovation and (iii) rebates of RMB212,000 (2021: RMB3,718,000) granted with reference to taxes paid.

As at the end of the reporting period, there was no unfulfilled condition or other contingency attaching to the government grants that had been recognised by the Group.

6 OTHER NET GAINS/(LOSSES)

	2022 RMB'000	2021 RMB'000
Net foreign exchange gain/(loss)	**52,973**	(8,785)
Net loss on disposal of property, plant and equipment	**(9)**	(95)
(Loss)/gain on fair value change of financial assets at FVPL	**(190)**	57
Others	**(785)**	(14)
	51,989	(8,837)

7 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2022 RMB'000	2021 RMB'000
Interest expenses on lease liabilities	**1,390**	1,022
Interest expenses on bank loans	**25**	2,802
Others	**341**	–
	1,756	3,824

(b) Staff costs

	2022 RMB'000	2021 RMB'000
Salaries and bonus	**140,890**	85,733
Retirement benefits scheme contributions (Note)	**10,421**	5,996
Share-based payments (Note 29)	**15,251**	33,356
Directors' remuneration (Note 9)	**5,164**	6,577
	171,726	131,662

Note:

Pursuant to the relevant labour rules and regulations in the People's Republic of China (the "**PRC**"), the subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "**Schemes**") organised by the local government authorities whereby the subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

7 PROFIT/(LOSS) BEFORE TAXATION *(continued)*

(c) Other items

	2022 RMB'000	2021 RMB'000
Depreciation charge		
– owned property, plant and equipment	**9,462**	5,497
– right-of-use assets	**9,397**	6,412
Amortisation cost of intangible assets	**581**	494
Research and development expenses (Note i)	**183,796**	141,288
Cost of inventories recognised as expenses (Note ii)	**44,322**	20,569
Royalty fees (included in cost of sales)	**17,380**	15,289
(Reversal)/provision for write-down of inventories	**(2,510)**	2,016
Auditors' remuneration		
– audit services	**2,500**	2,000
– non-audit services	**370**	–
	2,870	2,000

Notes:

(i) Research and development expenses includes amounts relating to staff costs, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(ii) Cost of inventories recognised as expenses includes amounts relating to staff costs, depreciation and amortisation expenses, (reversal)/provision for write-down of inventories, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2022 RMB'000	2021 RMB'000
Current tax		
Provision for the year	–	7,214
Tax filing difference for prior years	(59)	–
	(59)	7,214
Deferred tax		
Origination of temporary differences (Note 28(b))	236	4,620
	177	11,834

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) Effective from January 1, 2008, under the Mainland China Corporate Income Tax Law, the Mainland China statutory income tax rate is 25%. The Group's subsidiaries in the Mainland China are subject to Mainland China income tax at 25% unless otherwise specified.

According to the Mainland China income tax law and its relevant regulations, entities that qualified as High and New Technology Enterprise ("**HNTE**") are entitled to a preferential income tax rate of 15%. Acotec Scientific Co., Ltd. has been qualified as HNTE by the Science and Technology Bureau of Beijing and relevant authorities in December 2020 for a term of three years and is subject to income tax at the rate of 15% during the year ended December 31, 2022 and 2021.

According to the PRC income tax law and its relevant regulations, an additional 100% (2021: 100%) of qualified research and development expenses so incurred is allowed to be deducted from taxable income for the three years ended December 31, 2023.

(iii) No provision for Hong Kong Profits Tax was made for Pine Medical Limited as it does not have assessable profits subject to Hong Kong Profits Tax during the year ended December 31, 2022 and 2021.

(iv) The subsidiary in the United States is subject to Federal Income tax at a tax rate of 21% and the State Income tax of 8.84%.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(b) Reconciliation between actual income tax expense and accounting profit/(loss) at applicable tax rates:

	2022	2021
	RMB'000	RMB'000
Profit/(loss) before taxation	**70,319**	(67,243)
Notional tax on profit/(loss) before taxation, calculated using the PRC statutory tax rate of 25%	**17,580**	(16,811)
Tax effect of different tax rates	**(25,078)**	(2,954)
Tax effect of non-deductible expenses	**3,534**	33,241
Tax effect of deductible temporary differences not recognised	**783**	532
Additional deduction for qualified research and development costs	**(21,206)**	(26,948)
Tax effect on tax losses not recognised	**25,581**	25,421
Utilisation of tax losses previously not recognised	**(901)**	(630)
Tax filing difference for prior years	**(59)**	–
Others	**(57)**	(17)
Actual tax expense	**177**	11,834

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2022 Total RMB'000
Executive directors					
Jing LI (Chief executive officer) (Note ii)	–	2,735	–	58	2,793
Silvio Rudolf SCHAFFNER (Note iii)	–	1,729	–	–	1,729
Non-Executive directors					
Ke TANG (Note iv)	–	–	–	–	–
Chen CHEN (Note v)	–	–	–	–	–
Independent non-executive directors					
Kin Yee POON (Note vi)	214	–	–	–	214
Yuqi WANG (Note vi)	214	–	–	–	214
Hong NI (Note vi)	214	–	–	–	214
	642	4,464	–	58	5,164

9 DIRECTORS' EMOLUMENTS *(continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2021 Total RMB'000
Executive directors					
Jing LI (Chief executive officer) (Note ii)	–	2,701	1,942	82	4,725
Silvio Rudolf SCHAFFNER (Note iii)	–	1,654	–	–	1,654
Non-Executive directors					
Ke TANG (Note iv)	–	–	–	–	–
Chen CHEN (Note v)	–	–	–	–	–
Independent non-executive directors					
Kin Yee POON (Note vi)	66	–	–	–	66
Yuqi WANG (Note vi)	66	–	–	–	66
Hong NI (Note vi)	66	–	–	–	66
	198	4,355	1,942	82	6,577

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

Notes:

(i) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(ii) Jing LI was appointed as a director on December 3, 2020 and appointed as the chairperson of the Board and re-designated as an executive director on January 29, 2021.

(iii) Silvio Rudolf SCHAFFNER was appointed as a director on December 3, 2020 and re-designated as an executive director on January 29, 2021.

(iv) Ke TANG was appointed as executive director on December 3, 2020 and was re-designated as non-executive director on January 29, 2021, and has resigned on February 9, 2023.

(v) Chen CHEN was appointed as non-executive director on December 3, 2020 and has resigned on February 9, 2023.

(vi) Kin Yee POON, Yuqi WANG and Hong NI were appointed as an independent non-executive director on January 29, 2021 and effective from the listing on HKEX on August 24, 2021.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2021: one) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other four (2021: four) individuals are as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	6,693	6,139
Discretionary bonus (Note)	468	4,572
Retirement benefits scheme contributions	228	310
Share-based payments	3,837	20,060
	11,226	31,081

Note: Discretionary bonus is determined by reference to the duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The emoluments of the four (2021: four) individuals with the highest emoluments are within the following bands:

	2022 Number of individuals	2021 Number of individuals
Emoluments bands in Hong Kong Dollars ("**HKD**")		
HKD2,500,001 to HKD3,000,000	2	–
HKD3,000,001 to HKD3,500,000	1	–
HKD4,000,000 to HKD4,500,000	1	–
HKD6,500,001 to HKD7,000,000	–	1
HKD8,500,001 to HKD9,000,000	–	1
HKD9,000,001 to HKD9,500,000	–	1
HKD12,500,001 to HKD13,000,000	–	1
	4	4

During the year ended December 31, 2022, no emoluments were paid by the Group to any of the executive directors, non-executive director, independent non-executive director or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: nil). None of the directors and chief executive has waived any emoluments during the year December 31, 2022 (2021: nil).

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the company of RMB70,142,000 (2021: loss attributable to ordinary equity shareholders of the Company of RMB79,077,000) and the weighted average of 299,611,523 ordinary shares (2021: 248,065,296 shares) in issue during the year.

(b) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares in existence for the years ended December 31, 2022. The calculated diluted earnings per share equals the basic earnings per share at December 31, 2022.

Diluted loss per share for the year ended December 31, 2021 did not assume conversion of preferred shares and exercise of over-allotment option as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2021 are the same as basic loss per share.

12 PROPERTY, PLANT AND EQUIPMENT

	Machineries RMB'000	Motor vehicles RMB'000	Furniture, equipment and tools RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:					
At January 1, 2021	21,259	304	6,608	18,798	46,969
Additions	6,330	–	2,270	7,735	16,335
Disposals	(33)	–	(596)	–	(629)
At December 31, 2021 and January 1, 2022	**27,556**	**304**	**8,282**	**26,533**	**62,675**
Additions	**26,046**	**–**	**1,473**	**17,482**	**45,001**
Disposals	**(128)**	**–**	**(46)**	**–**	**(174)**
At December 31, 2022	**53,474**	**304**	**9,709**	**44,015**	**107,502**
Accumulated depreciation:					
At January 1, 2021	(5,473)	(278)	(3,806)	(14,757)	(24,314)
Charge for the year	(2,126)	(11)	(1,002)	(2,358)	(5,497)
Written back on disposals	18	–	516	–	534
At December 31, 2021 and January 1, 2022	**(7,581)**	**(289)**	**(4,292)**	**(17,115)**	**(29,277)**
Charge for the year	**(3,763)**	**–**	**(692)**	**(5,007)**	**(9,462)**
Written back on disposals	**122**	**–**	**43**	**–**	**165**
At December 31, 2022	**(11,222)**	**(289)**	**(4,941)**	**(22,122)**	**(38,574)**
Net book value:					
At December 31, 2022	**42,252**	**15**	**4,768**	**21,893**	**68,928**
At December 31, 2021	19,975	15	3,990	9,418	33,398

13 RIGHT-OF-USE ASSETS

	Leased properties RMB'000
Cost:	
At January 1, 2021	27,453
Additions	3,301
At December 31, 2021 and January 1, 2022	**30,754**
Additions	**37,763**
At December 31, 2022	**68,517**
Accumulated depreciation:	
At January 1, 2021	(7,506)
Charge for the year	(6,412)
At December 31, 2021 and January 1, 2022	**(13,918)**
Charge for the year	**(9,397)**
At December 31, 2022	**(23,315)**
Net book value:	
At December 31, 2022	**45,202**
At December 31, 2021	16,836

The Group has obtained the right to use properties as its offices through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

13 RIGHT-OF-USE ASSETS *(continued)*

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Leased properties	9,397	6,412
Interest on lease liabilities (Note 7(a))	1,390	1,022
Expenses related to short-term leases	304	186

During the year, additions to right-of-use assets were RMB37,763,000 (2021: RMB3,301,000). The addition was mainly due to the capitalised lease payments payable under new tenancy agreements and a number of lease agreements extended for use of property.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 24(d) and 31, respectively.

14 INTANGIBLE ASSETS

	Patent rights RMB'000	Software RMB'000	Product technology RMB'000	Total RMB'000
Cost:				
At January 1, 2021	102	1,493	1,400	2,995
Additions	–	1,489	–	1,489
At December 31, 2021 and January 1, 2022	**102**	**2,982**	**1,400**	**4,484**
Additions	**–**	**2,684**	**–**	**2,684**
At December 31, 2022	**102**	**5,666**	**1,400**	**7,168**
Accumulated amortisation:				
At January 1, 2021	(102)	(812)	(81)	(995)
Charge for the year	–	(354)	(140)	(494)
At December 31, 2021 and January 1, 2022	**(102)**	**(1,166)**	**(221)**	**(1,489)**
Charge for the period	**–**	**(441)**	**(140)**	**(581)**
At December 31, 2022	**(102)**	**(1,607)**	**(361)**	**(2,070)**
Net book value:				
At December 31, 2022	**–**	**4,059**	**1,039**	**5,098**
At December 31, 2021	–	1,816	1,179	2,995

The amortisation charge for the year is included in "cost of sales" and "research and development expenses" in the consolidated statement of profit or loss.

15 GOODWILL

	2022 RMB'000	2021 RMB'000
Balance at the beginning and end of the year	**1,150**	1,150

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the group's cash-generating units (CGU) identified according to reportable segment as follows:

	2022 RMB'000	2021 RMB'000
VascuPatent Medical (Shenzhen) Co., Ltd. ("**VascuPatent**")	**1,150**	1,150

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2021: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 26.6% (2021: 26.6%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

As at December 31, 2022 and 2021, the management concluded that the recoverable amount was higher than the net book value of the CGU based on their test result and no impairment provision on the goodwill was considered to be necessary.

(Expressed in Renminbi ("RMB") unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries which affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company name	Place and date of incorporation and business	Particulars of issued and paid-in capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Acotec Technologies Limited (Note i)	United States November 19, 2021	United States Dollar ("**USD**") 1.00	100%	–	Research and development of interventional device products
Pine Medical Limited (長青醫療器械有限公司) (Note i)	Hong Kong March 7, 2011	HKD12,000,000	100%	–	Investment holding and trading of procedural medical devices
Acotec Scientific Co., Ltd. (北京先瑞達醫療科技有限公司) (Note ii)	The PRC January 28, 2008	RMB5,000,000	–	100%	Research, development and sales of medical devices
Tianjin Xianruida Medical Technology Co., Ltd. (天津先瑞達醫療科技有限公司) (Note ii)	The PRC December 24, 2018	RMB5,000,000	–	100%	Marketing and sales of medical devices
VascuPatent Medical (Shenzhen) Co., Ltd. (為泰醫療器械(深圳)有限公司) (Note ii)	The PRC December 18, 2019	RMB6,666,667	–	100%	Research and development of medical devices
Elitec Scientific Co., Ltd. (北京銳靖醫療科技有限公司) (Note ii)	The PRC December 28, 2021	RMB2,000,000	–	100%	Research, development and sales of medical devices
Shanghai Guanming Medical Technology Co., Ltd. (上海觀明醫療科技有限公司) (Note ii)	The PRC July 10, 2017	RMB151,000	–	100%	Research and development of medical devices

Notes:

(i) The functional currency of Acotec Technologies Limited and Pine Medical Limited is USD.

(ii) These entities are limited liability companies established in the PRC. The official names of these entities are in Chinese. The English translation of the company names is for identification purpose only.

17 INTEREST IN AN ASSOCIATE

The following list contains the particulars of the Group's associate, all of which is unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest held by the Company	Principal activities
Sublime Laser, Inc., ("**Sublime**")	Incorporated	United States	USD921,000	23.6%	Laser machining business

In December 2022, the Group injected capital of USD2,175,000 and enjoyed 23.6% of equity interest in Sublime. The associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2022 RMB'000
Gross amounts of the associate's	
Current assets	15,117
Equity	15,117
Loss from continuing operations	–
Total comprehensive income	–
Reconciled to the Group's interests in the associate	
Gross amounts of net assets of the associate	15,117
Group's effective interest	23.6%
Group's share of net assets of the associate	3,568
Goodwill	11,982
Carrying amount in the consolidated financial statements	15,550

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – NON-CURRENT

	2022 RMB'000	2021 RMB'000
Financial assets at FVPL – non-current		
– Unlisted units in investment funds	7,260	–

On September 30, 2022, the Company and Trumed Health Innovation Fund GP Limited (as the general partner and fund manager) conditionally entered into the Subscription Agreement in relation to the investment in Trumed Health Innovation Fund LP ("**Trumed Fund**"), a Cayman Islands exempted limited partnership. Under the Subscription Agreement, the capital contribution by the Company as a limited partner will be USD5 million. The primary objective of the Trumed Fund is investments in equity interest of entities in the healthcare industry mainly in the PRC. During the year ended 31 December 2022, the Group made capital contribution of USD1,069,000 and the remaining commitment is USD3,931,000.

The analysis on the fair value measurement of the Group's above financial assets is disclosed in Note 31(e).

19 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2022 RMB'000	2021 RMB'000
Raw materials	80,316	30,399
Work in progress	6,614	3,197
Finished goods	30,412	11,374
	117,342	44,970
Write down of inventories	(907)	(3,417)
	116,435	41,553

19 INVENTORIES *(continued)*

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount of inventories sold	**46,832**	18,553
(Reversal)/provision for write-down of inventories	**(2,510)**	2,016
	44,322	20,569

All inventories are expected to be recovered within one year.

20 TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**132,342**	44,540
Less: loss allowance	**(433)**	(326)
	131,909	44,214

All of the trade receivables are expected to be recovered within one year.

Ageing analysis

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

	2022 RMB'000	2021 RMB'000
Within 3 months	**129,379**	39,400
3 to 6 months	**2,015**	1,109
6 to 12 months	**515**	3,705
	131,909	44,214

Trade receivables are generally due within 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising for trade receivable are set out in Note 31(a).

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayment to suppliers	**11,205**	10,390
Advances to employees	**424**	809
Other tax recoverable	**3,880**	3,717
Interest receivables	**–**	1,601
Prepayment for expenses	**5,930**	1,967
Others	**–**	340
	21,439	18,824

All of prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

22 PLEDGED DEPOSITS

As at December 31, 2022, pledged deposits balances represent deposits pledged to a bank to secure letter of credit amounting to RMB200,000 (2021: RMB1,750,000).

The pledged bank balances carry a fixed interest rate at 0.3% per annum as at December 31, 2022 (2021: 0.3%).

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2022 RMB'000	2021 RMB'000
Cash on hand	**23**	916
Cash at bank	**986,432**	1,136,268
Cash and cash in the consolidated statement of financial position and consolidated cash flow statement	**986,455**	1,137,184

As at December 31, 2022, cash and cash equivalents situated in Mainland China amounted to RMB423,446,000 (2021: RMB49,612,000). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(b) Reconciliation of profits/(loss) before taxation to cash used in operations:

	Note	2022 RMB'000	2021 RMB'000
Profit/(loss) before taxation		**70,319**	(67,243)
Adjustments for:			
Recognition/(reversal) of impairment losses on trade receivables		**107**	(813)
Amortisation of intangible assets	7(c)	**581**	494
Depreciation of property, plant and equipment	7(c)	**9,462**	5,497
Depreciation of right-of-use assets	7(c)	**9,397**	6,412
Finance costs	7(a)	**1,756**	3,824
Interest income	5	**(20,258)**	(4,725)
Foreign exchange gain		**–**	(175)
(Reversals)/provision for write-down of inventories	7(c)	**(2,510)**	2,016
Net loss on disposal of property, plant and equipment	6	**9**	95
Loss/(gain) on fair value change of financial assets at FVPL	6	**190**	(57)
Loss on fair value change of preferred shares		**–**	33,458
Share-based payments cost	7(b)	**15,251**	33,356
Changes in working capital:			
Increase in inventories		**(72,372)**	(15,031)
Increase in trade receivables		**(87,802)**	(13,883)
Increase in prepayments, deposits and other receivables		**(4,216)**	(10,872)
Decrease in amount due from a shareholder		**–**	227
Increase in trade and other payables		**12,097**	25,952
Increase/(decrease) in contract liabilities		**4,306**	(416)
Cash used in operations		**(63,683)**	(1,884)

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank loans RMB'000 (Note 26)	Lease liabilities RMB'000 (Note 27)	Total RMB'000
At January 1, 2022	6,000	18,571	24,571
Changes from financing cash flows:			
Repayment of bank loans	(6,000)	–	(6,000)
Capital element of lease rentals paid	–	(8,550)	(8,550)
Interest element of lease rentals paid	–	(1,390)	(1,390)
Interest paid	(366)	–	(366)
Total changes from financing cash flows	(6,366)	(9,940)	(16,306)
Other changes:			
Increase in lease liabilities from entering new leases during the year	–	37,763	37,763
Finance costs (Note 7(a))	366	1,390	1,756
Total other changes	366	39,153	39,519
At December 31, 2022	–	47,784	47,784

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities *(continued)*

	Bank loans RMB'000 (Note 26)	Lease liabilities RMB'000 (Note 27)	Dividend payable RMB'000	Preferred shares RMB'000	Accrued issue costs RMB'000	Total RMB'000
At January 1, 2021	20,000	21,415	326,245	133,760	2,136	503,556
Changes from financing cash flows:						
New bank borrowings raised	152,772	–	–	–	–	152,772
Repayment of bank loans	(166,696)	–	–	–	–	(166,696)
Capital element of lease rentals paid	–	(6,145)	–	–	–	(6,145)
Interest element of lease rentals paid	–	(1,022)	–	–	–	(1,022)
Interest paid	(2,802)	–	–	–	–	(2,802)
Dividend paid	–	–	(323,085)	–	–	(323,085)
Proceeds from issuance of preferred shares	–	–	–	3,262	–	3,262
Payments of share issuance cost related to the global offering	–	–	–	–	(63,399)	(63,399)
Total changes from financing cash flows	(16,726)	(7,167)	(323,085)	3,262	(63,399)	(407,115)
Exchange adjustments	(76)	–	(3,160)	–	–	(3,236)
Other changes:						
Increase in lease liabilities from entering new leases during the year	–	3,301	–	–	–	3,301
Finance costs (Note 7(a))	2,802	1,022	–	–	–	3,824
Fair value change of preferred shares	–	–	–	33,458	–	33,458
Re-designation and reclassification from ordinary shares	–	–	–	103,533	–	103,533
Proceeds from issuance of preferred shares	–	–	–	(3,262)	–	(3,262)
Conversion of preferred shares upon global offering	–	–	–	(270,751)	–	(270,751)
Deferred issue cost	–	–	–	–	61,263	61,263
Total other changes	2,802	4,323	–	(137,022)	61,263	(68,634)
At December 31, 2021	6,000	18,571	–	–	–	24,571

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(d) Total cash flow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2022 RMB'000	2021 RMB'000
Within operating cash flows	**304**	186
Within investing cash flows	**2,883**	669
Within financing cash flows	**9,940**	7,167
	13,127	8,022

These amounts relate to the following:

	2022 RMB'000	2021 RMB'000
Lease rentals paid	**10,244**	7,353
Payment of rental deposits	**2,883**	669
	13,127	8,022

24 TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**27,625**	7,139
Accrued expenses		
– research and development expenses	**558**	13,276
– selling and distribution expenses	**4,153**	1,314
– salaries and bonus	**20,759**	23,994
– legal and professional fees	**2,390**	2,826
Value added tax and other taxes payable	**14,837**	8,961
Other payables	**3,768**	4,649
	74,090	62,159

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

24 TRADE AND OTHER PAYABLES *(continued)*

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	**23,274**	6,970
3 to 6 months	**2,720**	169
6 to 12 months	**1,631**	–
	27,625	7,139

25 CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Contract liabilities arising from sales of goods	**1,635**	60
Contract liabilities arising from incentive programme (Note i)	**8,885**	6,640
Contract liabilities arising from sales with a right to exchange (Note ii)	**1,802**	1,316
	12,322	8,016

Notes:

(i) Incentive programme represents additional goods awarded to certain distributors' customers with nil consideration when these customers have made cumulative amounts of purchases within three months. Additional goods are normally provided based on 3%–5% of the purchase amounts made by these customers. The Group estimates the amounts of consideration to which it will be entitled for the additional goods using the expected value method and the consideration is then deferred as contract liabilities. The Group recognises revenue upon the receipts of the additional goods by the certain distributors' customers.

(ii) Certain sales contracts with distributors allow products exchanges for unsold products with expiry date less than six months. The Group recognises the contract liabilities arising from sales with a right to exchange based on historical sales information.

Revenue recognised during the year ended December 31, 2022 related to carried-forward contract liabilities amounted to RMB8,016,000 (2021: RMB8,383,000).

All of the contract liabilities are expected to be recognised as income within one year.

26 BANK LOANS

	2022 RMB'000	2021 RMB'000
Unsecured bank loans	–	6,000

As at December 31, 2022, the Group has no balance of bank loans (as at 31 December the bank loans carried fixed interest rates ranging from 5.50% to 5.80% per annum).

27 LEASE LIABILITIES

At December 31, 2022, the lease liabilities were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	12,263	6,806
After 1 year but within 2 years	11,420	6,768
After 2 years but within 5 years	24,101	4,997
	35,521	11,765
	47,784	18,571

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	5,131	6,511
Provision for the year	–	7,214
Over-provision in prior years	(59)	–
Income taxes paid	(5,072)	(8,594)
At the end of the year	–	5,131

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Leases	Unrealised profits on inventories	Credit loss allowance	Tax losses	Provisions	Contract liabilities arising from sales with a right to exchange	Fair value of intangible assets arising from business combination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	71	121	127	3,761	227	619	(330)	4,596
(Credited)/charged in profit or loss	(67)	(121)	(122)	(3,761)	(227)	(357)	35	(4,620)
At December 31, 2021 and January 1, 2022	**4**	**-**	**5**	**-**	**-**	**262**	**(295)**	**(24)**
(Credited)/charged in profit or loss	**(4)**	**-**	**(5)**	**-**	**-**	**(262)**	**35**	**(236)**
At December 31, 2022	**-**	**-**	**-**	**-**	**-**	**-**	**(260)**	**(260)**

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	271
Net deferred tax liability recognised in the consolidated statement of financial position	(260)	(295)
	(260)	(24)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB401,324,000 (2021: RMB286,369,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Cumulative tax losses incurred by PRC subsidiaries amounting to RMB246,814,000 (2021: RMB173,503,000) will expire within ten years under the current tax legislation. Other tax losses of RMB154,510,000 (2021: RMB112,866,000) incurred by the subsidiary in overseas not yet confirmed may be carried forward indefinitely.

The above tax losses incurred by subsidiaries in the PRC will be expired in the following years

	2022 RMB'000	2021 RMB'000
2025	38,916	38,916
2026	43,077	43,077
2027	57,201	-
2028	25,073	25,073
2030	32,906	32,906
2031	33,531	33,531
2032	16,110	-
	246,814	173,503

Note: According to CaiShui [2018] No. 76, "The Notice of Extending the expiry year of cumulative tax losses incurred by HNTE and small and medium-sized high-tech company" issued by Ministry of Finance of the PRC and National Tax Bureau on July 11, 2018, the expiry year of cumulative tax losses incurred by HNTE will extend from five years to ten years.

(Expressed in Renminbi ("RMB") unless otherwise indicated)

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Employee incentive platform

On January 8, 2021, the Company issued 11,242,275 ordinary shares to an employee incentive platform, Bliss Way Limited, at the consideration of USD1 for each share without vesting conditions. All shares were granted to the employees and vested immediately on the same date.

The fair value of each share granted at grant date was approximately RMB9.438. The effect of the share-based payment transactions of RMB33,356,000 was charged to the Group's profit or loss during the year ended December 31, 2021, of which RMB11,137,000, RMB13,914,000 and RMB8,305,000 were recognised in administration expenses, research and development expenses and selling and distribution costs, respectively.

The fair value of the shares has been arrived at based on a valuation carried out by an independent professional valuer, on the grant date of the shares.

The Company used back-solve method to determine the underlying equity value of the Company and performed an equity allocation based on Black-Scholes option pricing model to arrive the fair value of the shares as of the grant date.

The key valuation assumptions used to determine the fair value as of grant date are as follows:

Fair value of shares granted on January 8, 2021 and assumptions

Fair value at grant date	RMB9.438
Time to liquidation	3 years
Risk-free rate	0.24%
Volatility	44.1%
Dividend yield	0%
Possibilities under liquidation scenario	32.5%
Possibilities under redemption scenario	32.5%
Possibilities under Qualified IPO scenario	35%
Discount for lack of marketability (DLOM)	16.6%

The directors of the Company established the risk-free rate based on the yield of the United States Treasury Bonds with a maturity life close to period from the valuation date to expected liquidation date of preferred shares. Volatility was estimated based on average historical volatilities of comparable companies in the same industry from valuation date to expected liquidation date. Dividend yield is based on management estimate at the valuation date. DLOM was quantified by the Finnerty Put Options Model. Under this option-pricing method, which assumed that the price of a put option remains the average price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM.

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(b) Restricted share unit scheme

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

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

The RSU Scheme shall be valid and effective for period of 10 years commencing on the adoption date of the RSU Scheme, after which period no further awards will be granted. In spite of this, the RSU scheme in all other respects remain in full force and effect and awards that are granted during the period may continue to be exercisable in accordance with their terms of issue.

On January 27, 2022, the Company granted 1,540,000 restricted shares to 55 eligible employees (the "**Grantees**") under the RSU scheme at nil consideration. The granted restricted shares shall be vested in two tranches, (i) 50% of the restricted shares shall vest on the first anniversary date of the grant date, and (ii) the second 50% of the award shares shall vest on the second anniversary date of the grant date. The granted restricted shares are also subjected to non-market performance vesting conditions. If such conditions are not satisfied, the vesting date of the restricted shares shall be postponed for one year. If the vesting terms and conditions of the postponed restricted shares are not satisfied at the postponed vesting date, the restricted shares shall automatically lapse. On December 12, 2022, the Company approved the adjustment to the vesting condition, that the remaining vesting condition was cancelled and the outstanding unvested 1,480,000 restricted shares on the same date were vested immediately. Meanwhile, the Company forfeited 60,000 granted restricted shares for certain Grantees upon their resignation from the Company. These changes was accounted for as a forfeiture and cancellation to the original RSU scheme in accordance with the accounting policy in Note 2(r)(ii).

On July 1, 2022 and December 31, 2022, the Group granted 130,000 and 90,000 restricted shares, respectively, to employees without vesting conditions at nil consideration, which were vested immediately on the same date.

The fair value of the granted restricted shares was determined based on the market value of the Company's shares at the grant date. The effect under the RSU scheme transactions of RMB15,251,000 was charged to the Group's profit or loss during the year ended December 31, 2022, of which RMB3,606,000, RMB7,612,000 and RMB4,033,000 were recognised in administration expenses, research and development expenses and selling and distribution costs, respectively.

During the year ended December 31, 2022, 10,528,440 ordinary shares were held by Sino Fame Ventures Limited and were not granted. No restricted shares were outstanding under the RSU Scheme as at December 31, 2022.

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(c) Share award scheme

On December 31, 2021, the board of directors approved the Company to adopt a share award scheme ("**share award scheme**") to eligible employees to provide them with incentives in order to retain them for the continual operation and development of the Group. The share award scheme will initially be valid and effective for a period of ten years commencing on the adoption date. The total number of the award shares made pursuant to the share award scheme shall not exceed 10% of the total number of issued shares as at the adoption date.

Pursuant to the share award scheme, the award shares will be satisfied by existing shares to be acquired and held by a trust constituted by the Company (the "**Trust**") through on-market transactions at the average prevailing market price, and the Company appointed an independent trustee, Trident Trust Company (HK) Limited (the "**Trustee**") acted as the administrator of the Company's Scheme.

The Trust has acquired 2,004,000 award shares from the market at an average prevailing market price of approximately HKD9.94 (equivalent to approximately RMB8.26) per share for the year ended December 31, 2022. No shares were granted, vested, cancelled or lapsed under the share award scheme during the year ended December 31, 2022.

The Company has the power to direct the relevant activities of the Trust and it has the ability to use its power over the Trust to affect its exposure to returns. Therefore, the assets and liabilities of the Trust are included in the Group's consolidated statement of financial position and the ordinary shares held for the share award scheme were regarded as treasury shares and presented as a deduction in equity as "Shares held for share award scheme". No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the treasury shares. Consideration paid or received is recognised directly in equity.

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Share premium RMB'000	Shares held under RSU Scheme RMB'000	Share based payments reserve RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at January 1, 2021		14	(267,373)	-	-	-	(9,349)	(276,708)
Changes in equity for 2021:								
Loss and total comprehensive income for the year		-	-	-	-	-	(71,617)	(71,617)
Issuance of shares for RSU scheme	29(b)	1	-	(1)	-	-	-	-
Shares issued under an employee incentive platform	29(a)	1	72,745	-	33,356	-	-	106,102
Issuance of preferred shares as deemed distribution		(1)	-	-	-	(103,532)	-	(103,533)
Share issued upon global offering		4	1,358,467	-	-	-	-	1,358,471
Share issue costs		-	(64,511)	-	-	-	-	(64,511)
Conversion of preferred shares upon global offering		1	270,750	-	-	-	-	270,751
Balance at December 31, 2021		20	1,370,078	(1)	33,356	(103,532)	(80,966)	1,218,955

30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(a) Movements in components of equity *(continued)*

	Note	Share capital RMB'000	Share premium RMB'000	Shares held under RSU Scheme RMB'000	Share based payments reserve RMB'000	Other reserve RMB'000	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at January 1, 2022		20	1,370,078	(1)	33,356	(103,532)	-	(80,966)	1,218,955
Changes in equity for 2022:									
Profit and total comprehensive income for the year		-	-	-	-	-	-	68,205	68,205
Equity settled share-based transactions	29(b)	-	-	-*	15,251	-	-	-	15,251
Repurchase of shares for share award scheme	29(c)	-	-	-	-	-	(16,560)	-	(16,560)
Balance at December 31, 2022		20	1,370,078	(1)	48,607	(103,532)	(16,560)	(12,761)	1,285,851

* The balance represents an amount less than RMB1,000.

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial years, declared and approved during the year:

	2022 RMB'000	2021 RMB'000
Dividend in respect of the previous financial year and paid during the year	–	323,085

No dividend was proposed for ordinary shareholders of the Company during the year ended December 31, 2022, nor has any final dividend been proposed since the end of the reporting period (2021: nil).

30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

	No. of shares	Amount USD	Amount RMB'000
At January 1, 2021	213,603,234	2,136	14
Issuance of shares for RSU Scheme (Note 29)	12,228,440	122	1
Issuance of shares under employee incentive platform (Note 29)	11,242,275	112	1
Conversion of preferred shares upon global offering	13,678,102	137	1
Issuance of shares upon global offering	68,633,000	686	4
Re-designate of ordinary shares as preferred shares	(5,995,880)	(59)	(1)
At December 31, 2021 and 2022	313,389,171	3,134	20

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve represented: (i) an amount of RMB168,621,000, representing the capital injection from immediate holding company in prior years; (ii) an amount of RMB1,975,000, representing deemed contribution from immediate holding company through waiver of amount due to immediate holding company during the year ended December 31, 2019; (iii) the debit amount of RMB50,057,000, representing the difference between Pine Medical Limited' s share capital and the Company's share capital and share premium upon completion of the Group Reorganisation; an amount of RMB51,956,000, representing the effect of share-based payment transaction in relation to the shares of immediate holding company, CA Medtech Investment (Cayman) Limited, issued to the management of the Group.

(ii) Statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy as set out in Note 2(v).

30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves *(continued)*

(iv) Other reserve

Other reserve represented: (i) an amount of RMB1,113,000, representing the difference between the consideration paid and the carrying amount of the net assets attributable to the non-controlling interest in VascuPatent, a subsidiary of the Group being acquired during the year ended December 31, 2020; (ii) the debit amount of RMB103,532,000, representing the difference between the par value of share capital and fair value of preferred shares of the Company upon the redesignation and reclassification of ordinary shares as preferred shares.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintaining a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and pledged deposits is limited because the counterparties are reputable financial institutions with high credit standing, for which the Group considers to have low credit risk. Credit risk of investment in the Trumed Fund is also considered to be limited because the fund manager is specialised in investment in healthcare business with good track record proven.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2022, 52% (2021: 76%) of trade receivables were due from the Group's largest customer and 96% (2021: 96%) of trade receivables were due from the Group's five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade receivables *(continued)*

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the group's exposure to credit risk and ECLs for trade receivables:

	2022		
	Average expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	**RMB'000**	**RMB'000**
Not past due	**0.2%**	**119,213**	**241**
Past due 1-90 days	**0.3%**	**12,552**	**41**
More than 90 days past due	**26.2%**	**577**	**151**
		132,342	**433**

	2021		
	Average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Not past due	0.2%	38,787	87
Past due 1-90 days	2.6%	1,634	43
More than 90 days past due	4.8%	4,119	196
		44,540	326

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade receivables *(continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2022 RMB'000	2021 RMB'000
Balance at January 1,	**326**	1,139
Impairment losses recognised	**126**	285
Impairment losses reversed	**(19)**	(1,098)
Balance at December 31,	**433**	326

The significant changes in the gross carrying amounts of trade receivables contributed to the origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB107,000 (2021: a decrease in loss allowance of RMB813,000).

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

		Contractual undiscounted cash				
	Note	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at December 31, 2022 RMB'000
Trade and other payables#	24	59,253	–	–	59,253	**59,253**
Lease liabilities	27	14,300	12,826	25,430	52,556	**47,784**
		73,553	12,826	25,430	111,809	**107,037**

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

		Contractual undiscounted cash outflow				
		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	amount at December 31, 2022
	Note	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Trade and other payables#	24	53,198	–	–	53,198	**53,198**
Lease liabilities	27	7,589	7,212	5,127	19,928	**18,571**
Bank loans	26	6,100	–	–	6,100	**6,000**
		66,887	7,212	5,127	79,226	**77,769**

Exclude value added tax and other taxes payable.

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank balances, bank loans and lease liabilities. Bank balances with variable interest rate, fixed rate lease liabilities and fixed rate bank loans expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at December 31, 2022 and 2021, the cash flow interest risk arising from the change of market interest rate is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates as at December 31, 2022 and 2021 are bank loans and lease liabilities that are measured at amortised cost, and the change of market interest rate does not expose the Group to fair value interest risk. Overall speaking, the directors considered the Group's exposure to interest rate risk is not significant during the year ended December 31, 2022 and 2021.

(d) Currency risk

The group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("**USD**") and HKD.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

2022	**USD RMB'000**	**HKD RMB'000**
Cash and cash equivalents	**457,242**	**1,537**
Trade and other payables	**(6,635)**	**–**
Net exposure	**450,607**	**1,537**

2021	USD RMB'000	HKD RMB'000
Cash and cash equivalents	392,392	20,835
Trade and other receivables	243	–
Trade and other payables	(1,560)	–
Net exposure	391,075	20,835

The Group's foreign currency risk is concentrated on the fluctuation of RMB against USD and HKD.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of each reporting period had changed at that date, assuming all other risk variables remained constant.

	2022		2021	
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ Increase in profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	(Decrease)/ Increase in profit after tax and retained profits RMB'000
USD	5%	22,588	5%	(19,554)
	(5%)	(22,588)	(5%)	19,554
HKD	5%	66	5%	(1,042)
	(5%)	(66)	(5%)	1,042

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group subsidiaries' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purpose.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the group which expose the group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2021.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted units in investment funds which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

	Fair value at December 31, 2022	Fair value measurement at December 31, 2022 categorized into		
	RMB'000	Level 1	Level 2	Level 3
Recurring fair value measurement				
Financial assets at FVPL				
– Unlisted units in investment funds	**7,260**	**–**	**–**	**7,260**

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement *(continued)*

Information about Level 3 fair value measurements

The fair value of unlisted units in investment funds have been estimated using market approach by reference to the trade price of each underlying portfolio companies invested by the funds. A valuation analysis of changes in fair value of each fund is prepared by the fund manager, Trumed Health Innovation Fund GP Limited, to the Company at each annual reporting date.

The fair value of unlisted units in investment funds is determined referencing net asset value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 5% would have increased/decreased the Group's profit for the year by RMB363,000.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	Financial assets at FVPL RMB'000
As at January 1, 2021 and January 1, 2022	–
Purchases	7,450
Unrealised losses on financial assets at FVPL	(190)
As at December 31, 2022	7,260

32 COMMITMENTS

Capital commitments outstanding at the respective year end not provided for in the consolidated financial statements are as follows:

	2022 **RMB'000**	2021 RMB'000
Contracted for	**29,422**	14,366
Represented by:		
Investment in Trumed Fund	**27,376**	–
Acquisition of property, plant and equipment	**2,046**	11,771
Additional of right-of-use assets	**–**	2,595
	29,422	14,366

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	11,625	10,642
Post-employment benefits	286	253
Share-based payments	3,837	8,393
	15,748	19,288

Total remuneration is included in "staff costs" (see Note 7(b)).

(b) Transactions with related companies

(i) Significant related party transactions

	2022 RMB'000	2021 RMB'000
Royalty fees to InnoRa GmbH (Note i)	15,496	15,184
Sales to an affiliated company (Note ii)	2,513	–

(ii) Significant related party balances

	2022 RMB'000	2021 RMB'000
Trade payables to InnoRa GmbH (Note i)	6,135	4,444

Notes:

(i) InnoRa GmbH is a company controlled by the son of the Group's chief technology officer.

(ii) The affiliated company refers to Deepintec Scientific Co., Ltd. (北京深瑞達醫療科技有限公司), a company incorporated in the PRC which is controlled by the Company's ultimate controlling party, CPE Holdings International Limited.

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of sales of goods as disclosed in Note 33(b) constitute connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing. Rules as they are below the de minimis threshold under Rule 14A.76(1).

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Non-current assets		
Investments in subsidiaries	188,983	146,142
Interest in an associate	15,550	–
Financial assets at FVPL	7,260	–
	211,793	146,142
Current assets		
Amount due from a subsidiary	126,978	–
Prepayments, deposits and other receivables	10	1,601
Cash and cash equivalents	948,383	1,072,573
	1,075,371	1,074,174
Current liabilities		
Trade and other payables	1,313	440
Amounts due to a subsidiary	–	921
	1,313	1,361
Net current assets	1,074,058	1,072,813
Total assets less current liabilities	1,285,851	1,218,955
NET ASSETS	1,285,851	1,218,955
CAPITAL AND RESERVE		
Share capital	20	20
Reserves	1,285,831	1,218,935
TOTAL EQUITY	1,285,851	1,218,955

(Expressed in Renminbi ("RMB") unless otherwise indicated)

35 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

According to the Company's announcement dated December 12, 2022, January 3, 2023 and January 26, 2023, and circular dated January 3, 2023, Boston Scientific Group plc ("**Boston Scientific**") will make a partial offer to acquire a majority stake, up to a maximum of 65%, of shares of the Company. The proposed price is HKD20 per share, which represents a total upfront cash payment consideration of approximately USD523 million.

According to the Company's announcement dated February 9, 2023, the partial offer was closed and the acquisition was completed, the controlling shareholder of the Company changed to Boston Scientific accordingly and CPE Holdings International Limited ceased to be the controlling shareholder of the Company from then on.

36 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2022, the directors consider the immediate parent of the Group to be CA Medtech Investment (Cayman) Limited, incorporated in the Cayman Islands and its ultimate controlling party is CPE Holdings International Limited, which is owned by a number of shareholders that are natural persons and none of whom controls CPE Holdings International Limited.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2022

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended December 31, 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 17, *Insurance contracts*	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	January 1, 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	January 1, 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	January 1, 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years [Note] is set out below:

	For the year ended December 31,			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**395,545**	303,813	193,975	124,910
Gross profit	**336,353**	265,939	163,780	105,931
Profit (loss) before tax	**70,319**	(67,243)	(31,447)	26,708
Profit (loss) for the year	**70,142**	(79,077)	(44,292)	23,105
Profit (loss) attributable to:				
Owners of the parent	**70,142**	(79,077)	(43,842)	23,105
Non-controlling interest		–	(450)	–
Earning (loss) per share				
– Basic (RMB Yuan)	**0.23**	(0.32)	(0.24)	0.14
– Diluted (RMB Yuan)	**0.23**	(0.32)	(0.24)	0.14

	For the year ended December 31,			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	**154,107**	63,841	54,700	39,010
Total current assets	**1,256,438**	1,243,525	218,241	73,229
Total current liabilities	**98,675**	88,112	404,124	59,189
Total non-current liabilities	**35,781**	12,060	149,826	16,031
Total equity (net deficits)	**1,276,089**	1,207,194	(281,009)	37,019

Note: The Company was only listed on the Stock Exchange on August 24, 2021, no financial information for the year ended December 31, 2018 has been published.

Definitions

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

"Audit Committee"	the audit committee of the Board
"AVF"	arteriovenous fistula, an abnormal connection between an artery and a vein, bypassing some capillaries. It is usually surgically created for hemodialysis treatments
"Board of Directors" or "Board"	the board of Directors
"CAD"	coronary artery disease
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which, for the purpose of this interim results announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "our Company", or "Acotec"	Acotec Scientific Holdings Limited (先瑞達醫療科技控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on December 3, 2020
"Core Product"	AcoArt Orchid® & Dhalia® and AcoArt Tulip® & Litos®, the designated "core product" as defined under Chapter 18A of the Listing Rules
"DCB"	drug-coated balloon, an angioplasty balloon used in PCI procedures with anti-proliferation drug coated on its surface. The drug can inhibit smooth muscle cell proliferation and migration, thereby further reducing the chance of artery restenosis
"Director(s)"	the director(s) of the Company or any one of them
"FDA"	the U.S. Food and Drug Administration
"Global Offering"	the Hong Kong Public Offering and the International Offering each as defined in the Prospectus

"Group", "our Group", "our", "we", or "us"	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"KOLs"	key opinion leaders, being renowned physicians that are able to influence their peers' medical practice
"IDE"	investigational device exemption, an approval granted by the FDA that allows a medical device to be used in a clinical research study that involves human subjects or human specimens
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"LEAD"	lower extremity artery disease, the narrowing or blockage of leg arteries
"Listing"	the listing of the Shares on the main board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NMPA"	the National Medical Product Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
"PAD"	peripheral artery disease, the narrowing or blockage of arteries outside the heart or brain
"Prospectus"	the prospectus of the Company dated August 12, 2021
"Reporting Period"	the year ended December 31, 2022

Definitions

"RCT"	randomized controlled clinical trial, a study in which people are allocated at random (by chance alone) to receive one of several clinical interventions
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) with nominal value of US$0.00001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"vasculogenic ED"	vasculogenic erectile dysfunction, the inability to achieve and maintain an erection due to defects in the blood flow
%	per cent