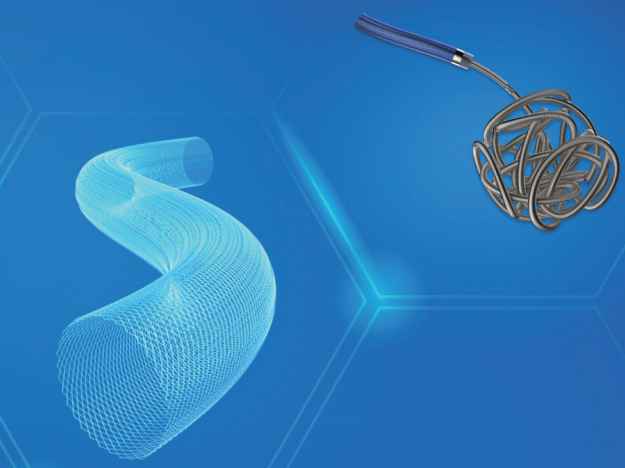
归创通桥
ZYLOX-TONBRIDGE

歸創通橋醫療科技股份有限公司

ZYLOX-TONBRIDGE MEDICAL TECHNOLOGY CO., LTD.

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

Stock Code : 2190



2021 Annual Report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Jonathon Zhong Zhao (趙中) *(Chairman)*
Mr. Yang Xie (謝陽)
Dr. Zheng Li (李崢)

Non-executive Directors

Mr. Stephen Hui Wang (王暉)
Dr. Hai Lu (陸海)
Dr. Steven Dasong Wang (王大松)

Independent Non-executive Directors

Dr. Jian Ji (計劍)
Mr. Hongze Liang (梁洪澤)
Ms. Yun Qiu (邱妘)

JOINT COMPANY SECRETARY

Mr. Quanwei Yuan (袁泉衛)
Mr. Kai Cheong Willie Cheung (張啟昌)

AUTHORIZED REPRESENTATIVES

Dr. Jonathon Zhong Zhao (趙中)
Mr. Kai Cheong Willie Cheung (張啟昌)

SUPERVISORS

Ms. Jie Liang (梁婕)
Mr. Chunhui Men (門春輝)
Ms. Hongbo Wang (王宏波)

AUDIT COMMITTEE

Ms. Yun Qiu (邱妘) *(Chairlady)*
Mr. Hongze Liang (梁洪澤)
Dr. Jian Ji (計劍)

REMUNERATION COMMITTEE

Dr. Jian Ji (計劍) *(Chairman)*
Dr. Jonathon Zhong Zhao (趙中)
Mr. Hongze Liang (梁洪澤)

NOMINATION COMMITTEE

Dr. Jonathon Zhong Zhao (趙中) *(Chairman)*
Ms. Yun Qiu (邱妘)
Dr. Jian Ji (計劍)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

REGISTERED OFFICE

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Yuhang District
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Yuhang District
Hangzhou, China

Bank of Nanjing Yuhang Branch
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Yuhang District
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COMPLIANCE ADVISER

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PRC LEGAL ADVISER

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Shanghai, China

H SHARE REGISTER

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Level 54, Hopewell Centre
183 Queen's Road East Hong Kong

STOCK CODE

H Share: 02190

COMPANY'S WEBSITE

www.zyloxtb.com

Chairman's Statement

Dear Shareholders,

The year of 2021 is another continuing success story for the Company, which was resulted from the many capabilities we have built up over the years. Despite the negative impact from COVID-19 and the gradual roll-out of the centralized procurement initiatives on national and provincial levels, the Company has achieved significant milestones in all areas in 2021:

1) We continued to demonstrate our strong R&D capability and execution efficiency. In 2021, we achieved 100% success rate for product registration approval according to the Company's plan in the beginning of the year. We obtained eight NMPA approvals and two CE market approvals for both peripheral vascular and neurovascular products in 2021.

2) We continued our drive to become a leading domestic medical device company with the most comprehensive product portfolio for neurovascular and peripheral-vascular interventions by efficiently leveraging our innovative R&D platforms. As an example, we significantly expand our venous interventional product portfolio with a bevel-ended venous stent for iliac vein compression syndrome, a specially designed clot/thrombus removal device for deep vein thrombosis, and a mechanical clot retriever for pulmonary embolism.

3) We actively licensed in outside innovative technologies to compliment our in-house research. We teamed up with top external research and engineering teams to accelerate down-stream clinical and regulatory developments once the designs for outside products were fixed. Two examples were IVL for calcified lesion treatment, and a robotic device for automation of routine intravascular tasks such as contrast media injections and stent deployment.

4) We successfully expanded our manufacturing capacities after moving into the new Zylox-Tonbridge Industry Park (歸創通橋產業園) in April 2021. This move enabled the Company to handle increasing production needs for new product approvals, achieve better quality controls and continuous cost reductions. Moving forward, we will continue to enhance our own manufacturing technology platforms so that we can provide quality products at reasonable prices to the physicians and patients.

We have established effective sales and marketing team, and distribution network, supported by high quality products as demonstrated by the results of our first full-year commercialization. We've put emphasis on academic marketing activities, connecting physicians from China and overseas with their peers, with our engineers to share their clinical expertise and experience. We've built up our sales network to propel the commercialization of high-quality medical devices.

In the coming years, we will continue our strong tradition in product and technology innovations and live up to our mission: innovation for quality life.

Dr. Jonathon Zhong Zhao
Chairman and Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**177,912**	27,631	4,917
Gross profit	**131,881**	16,287	1,192
Loss before income tax	**(199,689)**	(100,468)	(66,647)
Loss for the year	**(199,689)**	(100,468)	(66,647)
Loss attributable to equity holders of the Company	**(199,689)**	(100,468)	(66,647)
Non-IFRS adjusted net loss for the period*Note*	**(100,745)**	(77,357)	(59,046)

Note: Please refer to section headed "Non-IFRS Measures" in this report for more details.

CONSOLIDATED BALANCE SHEET

	2021 RMB'000	2020 RMB'000	2019 RMB'000
Non-current assets	**224,078**	133,829	81,776
Current assets	**3,024,208**	370,142	125,284
Total assets	**3,248,286**	503,971	207,060
Non-current liabilities	**6,509**	27,646	7,998
Current liabilities	**97,103**	51,631	33,387
Total liabilities	**103,612**	79,277	41,385
Total equity	**3,144,674**	424,694	165,675

I. BUSINESS REVIEW

We are a leading player in the neuro- and peripheral-vascular interventional medical device market in China. As an integrated medical device company supported by our in-house research and development (R&D) and manufacturing capabilities, proprietary technological platforms, and commercialization capabilities, we provide physicians and patients in China and overseas with medical devices to treat and manage neuro- and peripheral-vascular diseases. We strive to provide all patients, regardless of their race, age and affluence, with accessible medical devices and services.

Business Highlight

In 2021, we achieved significant progress in our R&D pipeline, including (1) receiving regulatory approvals for and successfully launching eight products in China and two products in Europe as planned, (2) submitting registration applications for five products, (3) submitting for type testing for 16 products, and (4) enlarging our product portfolio with another 10 products through in-house R&D and collaboration by leveraging our existing R&D expertise and strength.

In addition, we further enhanced and expanded our sales and marketing team and distribution network to propel the commercialization of our newly approved products. In 2021, we recorded a revenue of RMB177.9 million, representing an increase of 543.9% on a year-over-year basis. In particular, revenue from neurovascular interventional medical device reached RMB112.3 million, which makes us one of the largest domestic manufacturers in the field of neurovascular interventional medical device.

Furthermore, we continue to invest in overseas market by expanding our product portfolio and sales network. In 2021, we obtained CE Mark for two products, while we have successfully commercialized our products in a total of 11 countries, including France, Spain, Italy, and Argentina, etc.

We achieved 100% success rate in obtaining product registration approvals within 2021 as planned in the beginning of 2021.

During 2021, we obtained NMPA registration approvals for eight products, such as intracranial PTA balloon catheter (Rx), balloon guiding catheter (BGC) and neurovascular embolization coils, and CE Marks for two products, namely the aspiration catheter and microcatheter for clot retriever. As at December 31, 2021, we had a total of 14 products with NMPA approval in China and eight products with CE Marks, which made us one of the leading companies with the most comprehensive product portfolios in the vascular interventional medical device market.

We continue to expand product offerings by leveraging our in-house R&D capabilities.

Adhering to our mission to provide complete solution for physicians and patients, we continue to develop new product offerings in our existing and adjacent fields, and improve capabilities of our technology platform.

In peripheral vascular interventional fields, we identified huge potentials in the venous thromboembolism (VTE) market. Leveraging our technology platform, we efficiently developed mechanical thrombectomy device for pulmonary embolism (PE), and submitted it for type testing in 2021. VTE mainly includes PE and deep vein thrombosis (DVT). PE occurs in one to two individuals per 1000 each year. Approximately one-third of all patients with a new diagnosis of VTE have PE, with or without DVT, and it is estimated that up to a quarter of all patients with PE present with sudden death. With the addition of mechanical thrombectomy device for pulmonary embolism, we have developed one of the most comprehensive portfolios in the venous interventional device market in China. Our portfolio includes retrievable inferior vena cava filter, peripheral thrombectomy system and peripheral venous stent system, etc. In neurovascular interventional fields, leveraging our experience in existing products, we further developed aspiration pump system and radial access catheter to provide more comprehensive solutions for physicians. Not only do we continuously improve our product portfolio in existing therapeutic areas, we will also leverage our existing products and advantages to extend to other areas to make full use of our R&D capabilities. For more details of new products, please refer to our pipeline chart on pages 12 and 13.

We enriched our product offerings through collaboration and investment.

In 2021, we expanded our product offerings through collaborations and investments, which we believe is an effective way to enrich our products pipeline in addition to our in-house R&D platforms. Through this strategy, we will partner with the top engineers in the industry to accelerate innovation with advanced product offerings by leveraging the R&D capabilities of external experts and our comprehensive R&D, clinical and registration experience.

In November 2021, we entered into a collaboration agreement with Hangzhou Sky Road Medical Instrument Co., Ltd. (杭州天路醫療器械有限公司), which granted us the exclusive license regarding certain proprietary technology for developing intravascular lithotripsy (IVL) system for the treatment of peripheral vascular disease, as a valuable addition to our total solution management for lower limb artery diseases.

In January 2022, we made an investment in Wire Sciences Medical Technology (Suzhou) Co., Ltd. (微亞醫療科技(蘇州)有限公司) ("**Wire Sciences**") as a strategic investor, a China-based innovative medical device company focusing on development of pan-vascular surgical robots and an independent third party of the Company. Together with the investment, we also entered into a strategic cooperation agreement with Wire Sciences, which granted us priority access to exclusive distribution rights of the products developed by Wire Sciences in selective regions where we have established commercialization strengths. Pan-vascular surgical robots provide greater visualization and enables catheter placement with greater accuracy. In addition, robot-assisted pan-vascular surgery can prevent surgeons from excessive X-ray radiation while the remote-control function will potentially help physicians to conduct remote surgical guidance and education. The R&D team at Wire Sciences has been developing pan-vascular robotics for a few years and we believe this strategic cooperation can promote a standardized, precise and intelligent development of the vascular interventional treatment, and enhance our offering for the pan-vascular interventional treatment solution.

We upgraded key products to address more diversified demand

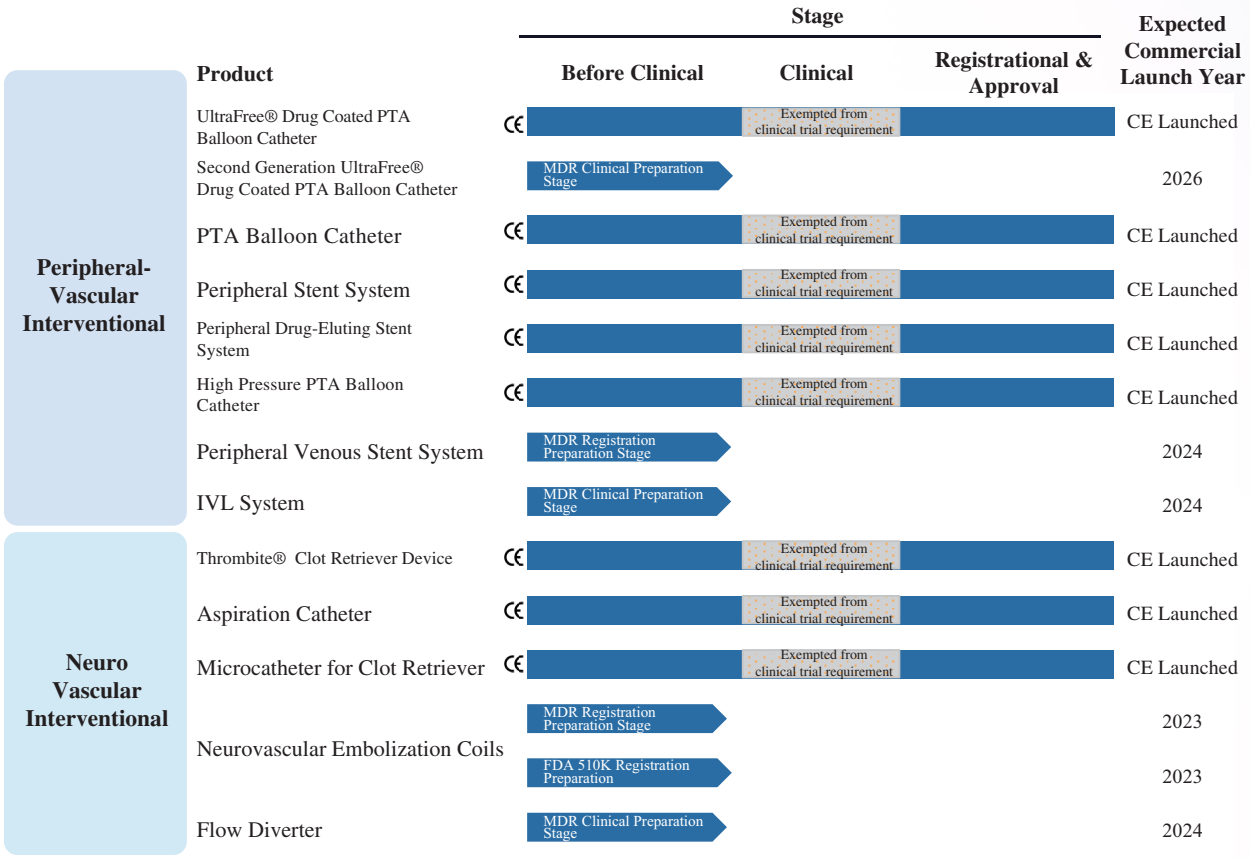
Leveraging our in-house R&D capability, we continue to upgrade our key products with the second generation. We believe the constant optimizing and upgrading of our products is a demonstration of our commitment and R&D capabilities to provide comprehensive portfolio to physicians and patients. Through further R&D efforts, we will continue to improve the clinical performance and manufacturing techniques of our existing products. Shortly after the launch of our key products, we have progressed to upgrade them into the second generation, namely the Clot Retriever Device II (second generation upgraded product of Thrombite® Clot Retriever Device), Mechanical Detachable Coil II (second generation upgraded product of neurovascualr embolization coil) and Second Generation UltraFree® DCB, which we plan to launch within one to three years. These upgraded second generation products will allow us to provide more tailored-made device to physicians and patients based on the clinical needs.

We made further investment in overseas markets

In overseas markets, we have made progress in both sales and R&D, and plan to continue the efforts. In 2021, we obtained CE Mark for two new products, bringing us a total of eight products with CE Mark as at December 31, 2021. With the approval of these products, although our overseas sales network is still in early stage and is affected by the COVID-19 pandemic, we are still gradually expanding our overseas sales network. Our products have been successfully commercialized in a total of 11 countries in 2021 across three continents, including France, Spain, Italy and Argentina.

Overseas markets are important to our development strategies, and we will continue to invest in improving our competitiveness. We have commenced the clinical trial designs of key products in overseas markets, including Second Generation UltraFree® DCB, IVL system and flow diverter. We have also launched registration plans for more products, including peripheral venous stent system and neurovascular embolization coils. At the same time, we are preparing to establish a local team in Europe to assist the launch of new products and brand building, and lay a solid foundation for us to build more comprehensive capabilities in Europe and achieve the long-term strategic goals.

In addition to enhancing our own capabilities, we are also looking for partners having advantage on distribution channel and customer resources in Europe and the U.S. markets to accelerate the sales of our products overseas. The following chart summarizes our overseas product R&D development as at the Latest Practicable Date:



CE Considering that clinical evaluation has been provided, under the EU MDD directive, the product has obtained CE marking without clinical trials

Industry Overview

Vascular diseases generally refer to the conditions that affect the circulatory system, typically consisting of neurovascular, coronary vascular and peripheral-vascular diseases. According to Frost & Sullivan, neurovascular disease is one of the leading causes of death in China which accounted for over 20% of the total mortality in 2019 in China and such percentage continues to rise. Peripheral-vascular diseases can lead to severe neuro- and cardio-vascular conditions such as heart attacks and strokes. Driven by a pressing clinical need for less invasive treatment to patients and more convenience to physicians, technology breakthroughs have been made in terms of minimally invasive endovascular interventional therapies, which generally involve transcatheter technique with fewer post-operative complications, which allows faster recovery and shorter hospital stay.

In recent years, interventional therapies are progressing quickly as a replacement of traditional surgeries. Within the domain of interventional therapy, neuro-intervention and peripheral-intervention markets in China are at emerging stage and are expected to experience rapid growth with accelerated expansion and technology evolvement, driven by the increasing health awareness, escalating incidence of cardiovascular diseases, enhancing patient affordability, improving clinical practice of physicians, and favorable policies to promote domestic products.

From 2020 to 2022, the total number of neuro- and peripheral-interventional vascular procedures are estimated to be 482.1 thousand, 605.5 thousand and 750.5 thousand, respectively, according to Frost & Sullivan.

Overview of Neurovascular Disease and China Neurovascular Device Market

The neurovascular diseases mainly include ischemic neurovascular diseases and hemorrhagic stroke, which nowadays can be treated with neuro-interventional procedural methods as a result of technology innovation. Neuro-interventional procedure is normally performed with intravascular surgery technology to diagnose and treat neurovascular diseases through selective angiography, embolization, dilation, mechanical clearance, drug delivery, and other specific methods.

The market size of China neuro-interventional medical device is expected to increase from RMB4.9 billion in 2019 to RMB37.1 billion in 2030 at a CAGR of 20.2%, according to Frost & Sullivan.

Overview of Peripheral-vascular Disease and China Peripheral-vascular Device Market

The peripheral-vascular disease includes peripheral artery diseases and peripheral venous diseases. Peripheral artery disease (PAD) refers to diseases of blood vessels located outside of the heart or brain, which develops when plaque clogs or narrows arteries that deliver blood to the arms, legs and internal organs such as the stomach or kidneys. PAD is the third leading cause of atherosclerotic vascular morbidity after coronary heart disease and stroke. In China, there is an increasing prevalence of PAD driven by the aging population and increasing public awareness. Along with the improvement on the diagnostic technology and knowledge, it is projected that the total number of prevalence of PAD in China will reach 62.3 million in 2030. Peripheral venous diseases are divided into two categories including chronic venous disease (CVD) and acute venous disease. The most common peripheral venous diseases consist of DVT, iliac compression syndrome and varicose vein.

The market size of the China PAD interventional device is expected to increase from RMB2.4 billion in 2019 to RMB12.2 billion in 2030 at a CAGR of 15.7%.

Among peripheral venous diseases, PE has significant market potential as a part of venous thromboembolism (VTE). PE occurs in 1 to 2 individuals per 1000 each year. Approximately 1/3 of all patients with a new diagnosis of VTE have PE, with or without DVT, and it is estimated that up to a quarter of all patients with PE present with sudden death, according to Frost & Sullivan.

In China, the number of DVT incidence is estimated to increase to 3.3 million in 2030 at a CAGR of 7.3% from 2019 to 2030. PE incidence in China is expected to reach 2,340.58 thousand in 2030 with a CAGR of 8.14% from 2019 to 2030.

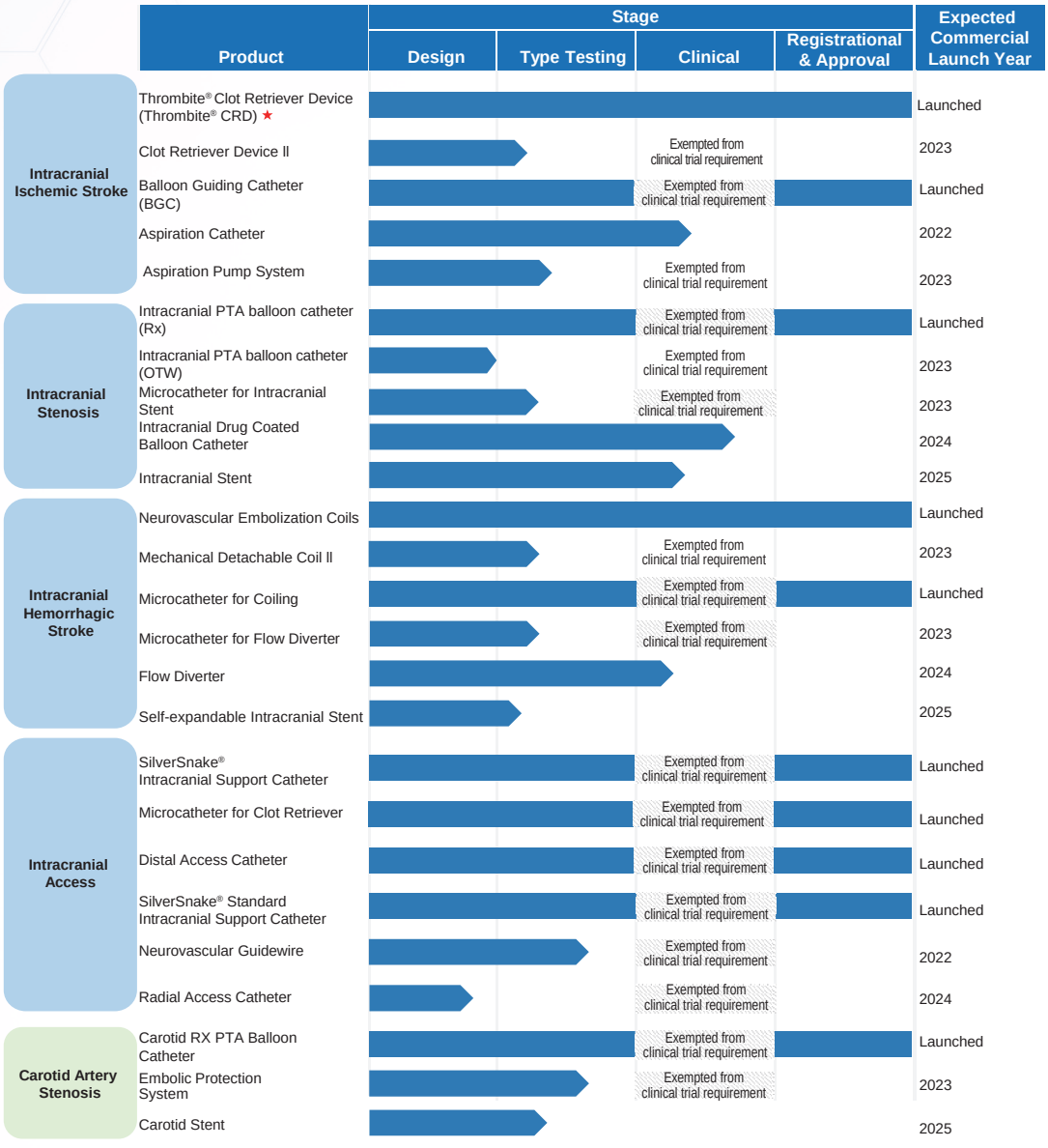
In the U.S., researchers estimate that approximately 668,000 new patients are diagnosed with DVT and approximately 400,000 new patients are diagnosed with PE each year.

Our Products and Product Pipeline

As China's leading interventional medical device company in developing minimally invasive vascular interventional medical devices, we have built a comprehensive product portfolio including neurovascular and peripheral-vascular interventional surgical devices.

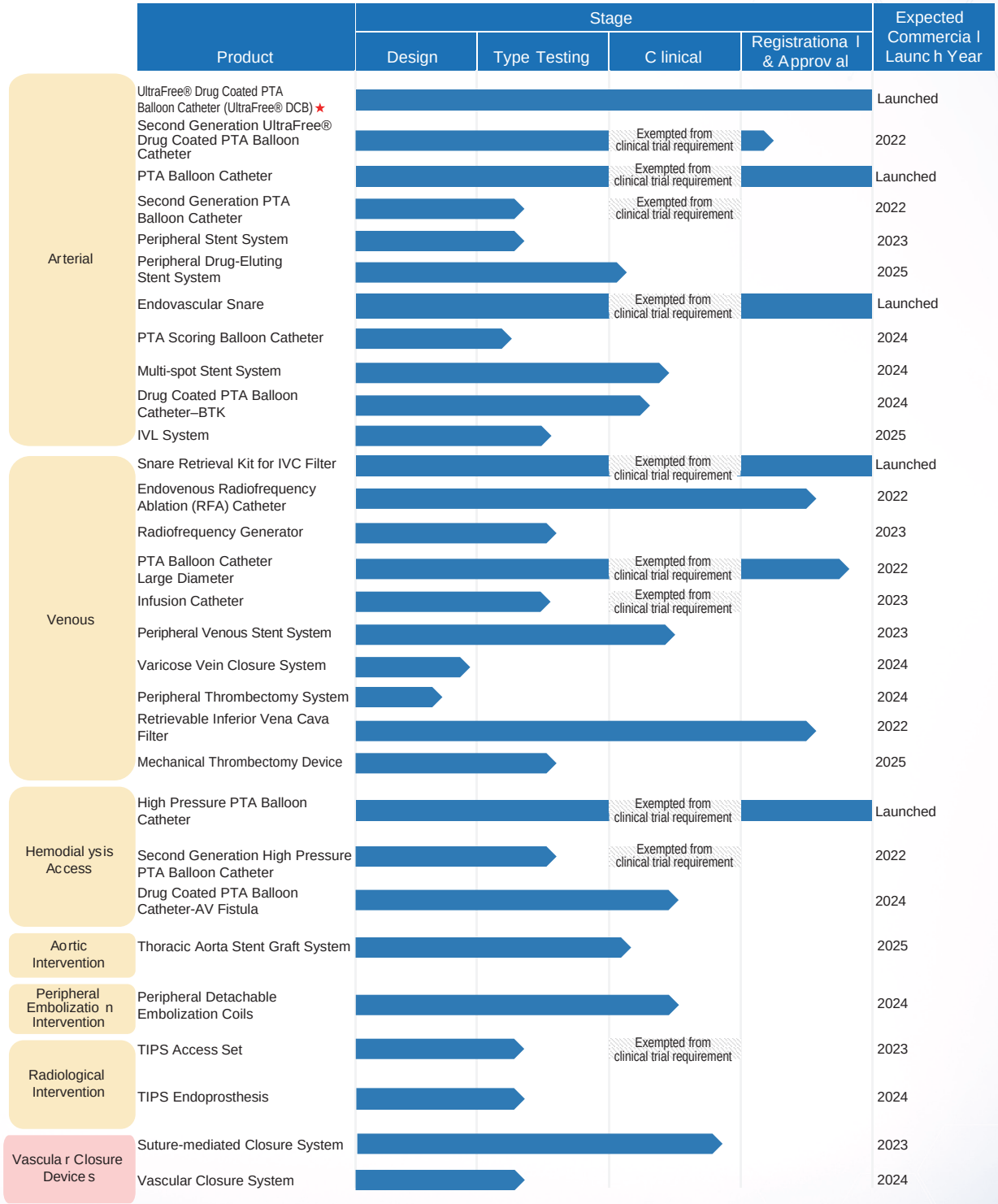
The following chart summarizes the development status of our products and product candidates as at the Latest Practicable Date:

Product Portfolio for Neurovascular Interventional Devices in China Market



★ Core Product; further R&D includes post-approval study, product improvement and indication expansion

Product Portfolio for Peripheral Vascular Interventional Devices and Vascular Closure Devices in China Market



★ Core Product; further R&D includes post-approval study, product improvement and indication expansion

Product Portfolio for Overseas Market

Considering that clinical evaluation has been provided, under the EU MDD directive, the product has obtained CE marking without clinical trials

Our Neurovascular Products

Our current neurovascular product portfolio covers a full suite of products for five major categories, namely ischemic, hemorrhagic, stenosis, carotid artery, vascular access device, and according to Frost & Sullivan, we are the only domestic company in China that has developed a neurovascular product portfolio covering all these five major categories. We have obtained Class III registration certificates for ten neurovascular interventional products and four are at clinical stage as at the Latest Practicable Date. We expect to have 15 more neurovascular interventional products approved by the end of 2025.

Intracranial Ischemic Stroke Treatment

In the field of ischemic neurovascular diseases, in particular intracranial ischemic stroke, we have five product offerings, among which we have launched Thrombite® CRD, BGC and aspiration catheter successfully as a complete three-piece solution to physicians, the details of which are illustrated in the section headed "Our Products and Product Pipeline" in this report:

BADDASS Clot-retrieval Approach

We have strategically developed a suite of products covering the full procedure cycle for major vascular diseases, offering seamless treatment solutions with better prognosis.

We are actively promoting our BADDASS (i.e. Balloon guide with large bore Distal access catheter with Dual Aspiration with Stent-retriever as Standard approach) clot-retrieval modality. Multiple academic papers in China and overseas have confirmed the superior clinical application of our BADDASS approach — as compared to mainstream clot-retrieval methods using stent retriever or aspiration catheter only, or stent in combination with intracranial support catheter, our BADDASS approach with three-piece suite of Thrombite® CRD, intracranial support catheter and BGC results in higher first-time recanalization rate of intracranial blood vessels, shorter recanalization time and lower escape rate at the distal end of the thrombus, which can effectively improve the procedure success rate, reduce operation time and incidence of post procedure complications. Our three key products in BADDASS, namely Thrombite® CRD, intracranial support catheter and BGC, have all received marketing approvals from the NMPA. We are one of the few domestic interventional device companies that can provide a complete three-piece solution.

Thrombite® Clot Retriever Device (Thrombite® CRD)

Our Thrombite® CRD is a minimally invasive device to capture and remove clots blocking blood vessels to treat neurovascular diseases such as AIS. We commenced the clinical trial for Thrombite® CRD in October 2016 and completed such clinical trial in October 2019. We received the registration certificate of Class III medical device from the NMPA in September 2020. We commercialized Thrombite® CRD in China in September 2020. We currently mainly target the China market for Thrombite® CRD. We also obtained CE Mark in January 2020 and started commercialization of Thrombite® CRD in Europe in May 2020.

Clot Retriever Device II (Second Generation Upgraded Product of Thrombite® CRD)

Clot Retriever Device II that we are developing has a similar product structure with the first generation Thrombite® CRD, the multi-segment radiopaque markers of which are expected to deliver better fluoroscopic visualization. We will add more specifications of CRDs, offering physicians more choices when dealing with occluded blood vessels of different diameters and thrombus of different sizes. The smallest specification of the Clot Retriever Device II is designed to be compatible with 0.017" micro-catheter, which allows physicians to push the clot retriever to the distal end of target blood vessels when necessary.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CLOT RETRIEVER DEVICE II SUCCESSFULLY.

Balloon Guiding Catheter ("**BGC**")

Our BGC is a large lumen catheter with a compliance balloon at the distal tip of the catheter. It is designed to facilitate the insertion and guidance of an intravascular catheter. It features various stiffness in different parts of the catheter which provides a combination of sufficient support and flexibility allowing the catheter to navigate through torturous vessel to the target site. High compliance balloon at tip helps to stop blood flow at low inflating pressure, which is critical in neuro intervention procedure. The optimized three-layer coaxial catheter wall design with a mixture of braided wire and polymer jacket enables catheter to have a sufficient large lumen while keeping the outside diameter at low profile to accommodate 8F and 9F sheath. We have obtained NMPA approval for our BGC in June 2021 and have started commercialization in China subsequently.

Aspiration Catheter

Our aspiration catheter is designed for the aspiration and removal of intracranial neurovascular blood clots. It features 4F-8F multiple size options to meet the aspiration needs of different vessel segments. The nitinol spiral and stainless-steel braided structure provides better flatness resistance. We obtained CE Mark for aspiration catheter in April 2021 and started commercialization of aspiration catheter in Europe in May 2021.

Aspiration Pump System

Our aspiration pump system is designed for thrombectomy, with a brand-new impulse aspiration mechanism by implementing automatic valve control. This new feature provides stronger suction effect, which can greatly reduce aspiration time.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR ASPIRATION PUMP SYSTEM SUCCESSFULLY.

Intracranial Stenosis Treatment

With the development of imaging technology and the increasing social awareness of stroke prevention, intracranial stenosis has attracted great clinical attention and been under rapid development in recent years. Our intracranial stenosis treatment portfolio consists of five products among which we have successfully launched intracranial PTA Balloon Catheter in 2021 and it has been well recognized and adopted by physicians as part of their important intracranial stenosis treatment devices.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR INTRACRANIAL STENOSIS TREATMENT PRODUCTS SUCCESSFULLY.

Intracranial Hemorrhagic Stroke Treatment

In the field of intracranial hemorrhagic stroke, we have two launched products and are developing four product candidates, including four treatment products (the neurovascular embolization coils, the Mechanical Detachable Coil II, the flow diverter, and the self-expandable intracranial stent (previously named as stent for stent assisted coiling)) and two microcatheters (microcatheter for coiling and microcatheter for flow diverter), the details of which are illustrated in the section headed "Our Products and Product Pipeline" in this report:

Neurovascular Embolization Coils

Our neurovascular embolization coils are a set of flexible coils used in the endovascular coiling procedure, which is a minimally invasive technique using a catheter to reach the aneurysm in the brain, displace the coils to block the blood flowing into the aneurysm, thus reducing the risk of aneurysm rupture. We have received NMPA approval in the fourth quarter of 2021 as expected and have started commercialization in China subsequently. We are in preparation of the CE Mark and FDA 510K registration.

Mechanical Detachable Coil II (Second Generation Upgraded Product of Neurovascular Embolization Coils)

We are upgrading our neurovascular embolization coils to improve their basket-forming performance. More specifications and sizes will be introduced, offering more options for physicians when dealing with different size of intracranial aneurysms. We are also working to optimize the design of delivery system.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR MECHANICAL DETACHABLE COIL II SUCCESSFULLY.

Flow diverter

Our flow diverter is important in endovascular treatment of intracranial aneurysms. It has an optimized metal and mesh coverage, which is capable of changing the hemodynamics in the target artery and promoting formation of the thrombosis inside the tumor cavity and repair of the vascular intima at the tumor neck. Pre-clinical data has supported feasibility, safety and preliminary efficacy of our flow diverter on rabbits. We have initiated the patient enrollment for two clinical trials for two indications, including treatment of both small and giant unruptured intracranial aneurysms in China. In November 2021, we completed the patient enrollment of a prospective, multi-center, single-arm objective performance criteria clinical trial, which is designed to evaluate the efficacy and safety of our flow diverter. The trial achieved significant progress in less than five months since the first patient enrollment initiated in July 2021. Meanwhile, we expect to complete another clinical trial by the end of 2023 for the giant unruptured intracranial aneurysms in China. We will use domestic clinical trial data, combined with European clinical data as a supplement, to apply for CE Mark and support further commercialization of our flow diverter in European market in the future.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR FLOW DIVERTER SUCCESSFULLY.

Intracranial Access

Our intracranial access pipeline includes four launched products and two products candidates, and is as illustrated in the section headed "Our Products and Product Pipeline" in this report:

Our intracranial access products are designed to work together with other treatment products with high compatibility to offer seamless treatment solutions with better prognosis.

Intracranial support catheter

Our intracranial support catheter is one of the important products in our intracranial access product portfolio, and it is designed for delivery of interventional/diagnostic devices in intracranial nerves and blood vessels. It features a nitinol spiral and stainless-steel braided structure with better flatness resistance as compared with similar products on the market, which leads to better abilities to capture the thrombus. The nitinol spiral and stainless-steel braided structure carries a better crossability to reach the M1 segment of the middle cerebral artery. Our intracranial support catheter also features a strengthened arch support design to provide stronger stability and support than its competitors, to effectively prevent the occurrence of catheter separation during the operation. In addition, our intracranial support catheter offers a comprehensive code selection from 95cm to 135cm, ensuring its compatibility with other devices during the procedure. These clinical advantages of our intracranial support catheters have been evidenced by clinical trial results. We obtained NMPA approval for our intracranial support catheter in September 2020 and it was successfully launched in October 2020. The superior clinical performance of intracranial support catheter led to its significant revenue contribution in 2021.

Carotid Artery Stenosis Treatment

Our carotid artery stenosis pipeline includes one approved product, Carotid Rx PTA Balloon Catheter, and two product candidates namely, Embolic Protection System and Carotid Stent.

Our carotid artery stenosis treatment products are designed to be used in combination, which can ensure product compatibility and improve operational safety through reducing the risk of device retrieval failure and medical accidents caused by product incompatibility during carotid artery revascularization procedures.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CAROTID ARTERY STENOSIS TREATMENT PRODUCTS SUCCESSFULLY.

Our Peripheral-Vascular Products

We are one of the first companies that developed a portfolio of peripheral-vascular interventional products in China. With five approved products and 23 product candidates, we have the most comprehensive peripheral-vascular interventional product portfolio among domestic players in China covering a full spectrum of arterial and venous products including stents, balloons, catheters and filters, according to Frost & Sullivan. We have obtained Class III registration certificates for five peripheral-vascular interventional products and four products are at the registration stage and seven are at clinical stage as at the Latest Practicable Date. We expect to have 23 more peripheral-vascular interventional products approved by the end of 2025. According to Frost & Sullivan, we are the first and only domestic player that commercialized peripheral stent system, which is one of the primary products for peripheral vascular disease treatment, in the European market.

Peripheral Arterial Vascular Diseases Treatment

Our peripheral arterial vascular diseases treatment pipeline includes a total of 11 products and product candidates as in the section headed "Our Products and Product Pipeline" in this report:

UltraFree® Drug coated PTA balloon catheter (UltraFree® DCB)

UltraFree® DCB is an interventional device designed for percutaneous transluminal angioplasty for patients with stenosis or occlusion in femoral artery and popliteal artery (except inferior knee artery). We commenced the clinical trial for UltraFree® DCB in November 2014 and completed such clinical trial in July 2019. We received the registration certificate of Class III medical device from the NMPA in November 2020. We subsequently commercialized UltraFree® DCB in China in December 2020. We currently mainly target the China market. We also obtained CE Mark in October 2020 and commercialized UltraFree® DCB in Europe in the second half of 2021.

The indication expansion of UltraFree® DCB include the following:

- Drug Coated PTA Balloon Catheter — BTK: We initiated the clinical trial preparation in the second half of 2021 and expect to start the patient enrollment in the first half of 2022, and to launch Drug Coated PTA Balloon Catheter — BTK in 2024.

- Drug Coated PTA Balloon Catheter — Dialysis Access: We commenced a clinical trial in February 2021 and are still in the process of patient enrollment. We expect to launch Drug Coated PTA Balloon Catheter — Dialysis Access in 2024.

Second Generation UltraFree® DCB

We have been continuously improving the performance of our UltraFree® DCB, by increasing its flexibility for better crossing, navigation, and dilatation performance. For the second generation of UltraFree® DCB, we have improved the materials of the balloon and optimized the structural design of the catheter, strengthening the support of the catheter lumen and enhancing the pushability and bending resistance of the catheter. We are currently discussing with the NMPA on the registration pathway of the second generation UltraFree® DCB. In addition, it is expected that in 2022, we will initiate a clinical trial in Europe to obtain local clinical trial data to support further development and commercialization of UltraFree® DCB in the European market.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR SECOND GENERATION ULTRAFREE® DCB SUCCESSFULLY.

IVL System

In November 2021, we entered into a collaboration agreement with Hangzhou Sky Road Medical Instrument Co., Ltd. (杭州天路醫療器械有限公司) ("**Sky Road**"), an independent third party of the Company, which granted us the exclusive license regarding certain proprietary technology for developing intravascular lithotripsy (IVL) system for the treatment of peripheral vascular disease, as a valuable addition to our total solution management for lower limb artery diseases.

The technology developed by Sky Road with pending global patents will allow us to develop IVL system for the treatment of medium and heavy calcified arteries in China and globally. The design with innovative intellectual properties realizes safe and intelligent energy control through self-developed algorithms and the preliminary animal study demonstrated superior efficacy and safety as compared to that its comparable products on the market, which is expected to reduce dissection of the blood vessels. The IVL catheter can also be used in combination with our DCB to treat patients with complex calcified vessels. We plan to start the clinical trial in China in the second half of 2022 and expect to obtain the NMPA approval in 2025. We also plan to apply for CE registration for the IVL system, and potentially to obtain approval by the end of 2024 depending on registration pathway which are being discussed with relevant regulatory authorities.

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

Peripheral Venous Vascular Diseases Treatment

Our peripheral venous vascular diseases treatment pipeline includes a total of 10 products and product candidates, including our retrievable inferior vena cava filter and peripheral venous stent system, as illustrated in the section headed "Our Products and Product Pipeline" in this report:

Retrievable Inferior Vena Cava Filter ("**IVCF**")

For the prevention of pulmonary embolism (PE), we provide patients with our retrievable IVCF. A retrievable IVCF traps large clot fragments and prevents them from traveling through the vena cava to the heart and lungs, where they could cause severe complications such as pain, difficulty breathing, shortness of breath or even death. We commenced the patient enrollment in March 2020 and completed enrollment of 188 patients in February 2021. We completed the clinical trial in the third quarter of 2021 and submitted the registration application to NMPA in the fourth quarter of 2021. We currently do not have immediate plan to develop this product outside the China market.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR RETRIEVABLE INFERIOR VENA CAVA FILTER SUCCESSFULLY.

Mechanical Thrombectomy Device

Together with IVCF, which is expected to receive NMPA approval in 2022, we are striving to provide physicians and patients with full solution for treatment of Venous thromboembolism (VTE). VTE refers to a group of diseases in which blood is abnormally coagulated in the venous system due to various causes (such as venous blood stagnation, venous intima injury, or hypercoagulable blood). VTE includes PE and DVT, which are the manifestations of the same disease in different stages and different places. We have submitted type testing for our latest product, the Mechanical Thrombectomy Device to treat pulmonary embolism (PE). The device is designed based on catheter-directed techniques, which is a pure mechanical method used to remove embolisms and thrombosis from pulmonary vessels through both large-bore aspiration and mechanical retraction, without the need for thrombolytics.

We submitted for type testing in the fourth quarter of 2021 and expect to launch the product in China market in 2025.

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

Peripheral Venous Stent System

Our peripheral venous stent system is designed for the treatment of iliac vein stenosis or occlusive disease such as IVCS. We obtained approval from the ethics committee of the principal investigator hospital of a multi-center, randomized and non-inferiority clinical trial in China to investigate the efficacy and safety of our peripheral venous stent system and initiated patient enrollment in October 2020. We completed the patient enrollment process for the clinical trial of peripheral venous stent system in July 2021. We plan to submit the registration application for our peripheral venous stent system with NMPA in early fourth quarter of 2022 after the 12-month follow-up, and expect to receive NMPA approval for peripheral venous stent system in 2023. We are in the process of preparing the registration documents for CE mark and expect to launch this product in CE market in 2024.

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

Other Peripheral-Vascular Products

In addition to the peripheral arterial and venous products above, our peripheral-vascular portfolio also covers hemodialysis access, aortic intervention, peripheral embolization intervention and radiological intervention, as illustrated in the section headed "Our Products and Product Pipeline" in this report.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OTHER PERIPHERAL-VASCULAR PRODUCTS SUCCESSFULLY.

Our Vascular Closure Product

In addition, our product portfolio also includes two vascular closure device candidates which makes us the first domestic medical device company that has developed suture-mediated vascular closure device candidate.

Suture-mediated Closure System

Our suture-mediated closure system is used to suture the femoral artery access site after diagnostic/therapeutic interventional procedures and is applicable to procedures with bore size ranging between 5F and 29F. We have obtained approval from the principal investigator hospital of a multi-center, randomized and non-inferiority clinical trial in China to investigate the efficacy and safety of our suture-mediated closure system, and started patient enrollment in June 2020. We are in the process of patient enrollment with a target of 228 patients in total according to current clinical trial plan. We currently do not have immediate plan to develop this product outside the China market.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR SUTURE-MEDIATED CLOSURE SYSTEM SUCCESSFULLY.

Vascular Closure System

We are developing another VCD product, the vascular closure system, and is applicable to procedures with bore size no more than 8F. We submitted the type testing in the fourth quarter of 2021 and expect to start patient enrollment in the second half of 2022. We expect to launch this product in China in 2024 and currently do not have immediate plan to develop this product outside the China market.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR VASCULAR CLOSURE SYSTEM SUCCESSFULLY.

Our Platform

As we build our pipeline, we have developed an integrated platform for the discovery, development, manufacture and commercialization of interventional medical devices including neurovascular and peripheral-vascular interventional surgical devices for neurovascular and peripheral-vascular diseases.

Research and Development

We have established in-house R&D capabilities which are manifested by our product innovations, our proprietary technologies and efficient product development process. Leveraging our strong research and development capabilities, we have developed a portfolio of innovative products and product candidates with advanced features that are comparable in performance to imported products by established international brands in the industry. We have developed our R&D capabilities, combined with our extensive registration experience and established strong collaboration with leading physicians and hospitals, also helping improve our clinical trial efficiency and expedite our product advancement. For example, our patient enrollment timeline reduced by half from 25 months in our first large scale clinical trial to around one year, which is at the top level for similar product in the industry according to Frost & Sullivan. Recently, we completed patient enrollment for peripheral venous stent system and flow diverter for small unruptured intracranial aneurysms in 10 months and less than five months respectively. As at December 31, 2021, we had 12 products in the process of clinical trial. Our track record has demonstrated that we have established capability to push forward a large number of products efficiently and effectively, which is essential for a medical device platform company.

Manufacturing

The manufacturing process of vascular interventional products is complex and technologically challenging. Over the years, we have accumulated extensive expertise and know-how in developing and manufacturing vascular interventional products and obtained a number of patents for our proprietary technologies. Our manufacturing expertise and know-how combined with advanced technologies applied during our manufacturing process help ensure both high quality and efficiency of our production. We had built manufacturing facilities of an aggregate area of approximately 3,800 sq.m. in Hangzhou and Zhuhai. In addition, we are in the process of expanding our production capacity with additional aggregate area of approximately 13,000 sq.m. in Hangzhou and plan to establish a new manufacturing site in Zhuhai with an aggregate area of approximately 20,000 sq.m in preparation for the commercialization of our further expanded product portfolio.

Commercialization

We have a proven track record of commercializing 14 products domestically and eight products in the Europe since our inception in 2012. We employ a strategic offline and online integrated marketing model with a focus on academic promotion to increase market and physician awareness and penetration of our products. We have a dedicated in-house sales team led by Mr. Yang Xie with a focus on academic marketing driven by our extensive expertise and clinical resources. We had also established an extensive distribution network covering over 2,100 hospitals across 22 provinces, four autonomous regions and four municipal cities in China as at December 31, 2021. Over the years, we have developed strong collaborations with and established a well-recognized brand among KOLs, leading physicians and hospitals in China in the field of neuro and peripheral-vascular intervention.

Impact of the COVID-19 Pandemic

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand globally. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. The Chinese government has again implemented significant regional travel restrictions in response to the outbreak of the Delta variant since July 2021 and the Omicron variant since November 2021.

Despite of the foregoing, our revenue for the year ended December 31, 2021, being RMB177.9 million, increased by 543.9% as compared to RMB27.6 million for the year ended December 31, 2020. The pandemic did not have material adverse effect on the Group's commercialization in China and Europe for 2021. As the future impact of COVID-19 in China and Europe is still uncertain, we expect our business operations, planned regulatory process and commercialization in China and Europe will be subject to the impact of the COVID-19 pandemic.

As at the Latest Practicable Date, we had no suspected or confirmed active COVID-19 cases on our premises or among our employees. We will continue to implement our remedial measures and may implement additional measures as necessary to ease the impact of the COVID-19 outbreak on our operations. However, we cannot guarantee you that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, financial position or prospects.

II. 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 report.

Revenue

During the Reporting Period, our revenue was mainly generated from sales of our nine commercialized products including Thrombite® CRD, UltraFree® DCB, SilverSnake® intracranial support catheter, intracranial PTA balloon catheter (Rx), PTA balloon catheter, neurovascular embolization coils, snare retrieval kit for IVCF, high pressure (HP) PTA balloon catheter and distal access catheter.

The Group's revenue for the year ended December 31, 2021 was RMB177.9 million, representing an increase of 543.9% compared to RMB27.6 million for the year ended December 31, 2020. The increase was primarily attributable to (i) the sales revenue from products approved before December 31, 2020, including Thrombite® CRD, UltraFree® DCB and intracranial support catheter, increased 441.5% for the year ended December 31, 2021, as compared to the year ended December 31, 2020; and (ii) since December 31, 2020, we have obtained approvals from the NMPA for eight more products, among which we have successfully launched six products in China as at December 31, 2021. Those launched products, mainly including neurovascular embolization coils and intracranial PTA balloon catheter (Rx), contributed more than 15.8% of total revenue for the year ended December 31, 2021.

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

	Year ended December 31, 2021 (Audited)		Year ended December 31, 2020 (Audited)	
Revenue	***RMB'000***	***Proportion***	*RMB'000*	*Proportion*
Neurovascular interventional devices	**112,271**	**63.1%**	19,940	72.2%
Peripheral vascular interventional devices	**65,641**	**36.9%**	7,691	27.8%
Total	**177,912**	**100.0%**	27,631	100.0%

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

Revenue	Year ended December 31, 2021 (Audited) RMB'000	Proportion	Year ended December 31, 2020 (Audited) RMB'000	Proportion
The PRC	**174,450**	**98.1%**	24,284	87.9%
Others	**3,462**	**1.9%**	3,347	12.1%
Total	**177,912**	**100.0%**	27,631	100.0%

Cost of Sales

Our cost of sales primarily consists of raw materials and consumables used, employee benefits expenses, depreciation of right-of-use assets, depreciation of property, plant and equipment, utilities and office expenses and others.

The Group's cost of sales for the year ended December 31, 2021 was RMB46.0 million, representing an increase of 305.8% compared to RMB11.3 million for the year ended December 31, 2020. The increase was primarily attributable to increase in raw materials and consumables used for sales of our products in line with increased commercialization of our marketed products in 2021, and the increase in employee benefits expenses as a result of increase in the number of our employees for expanded production and operation.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased by 709.7% from RMB16.3 million for the year ended December 31, 2020 to RMB131.9 million for the year ended December 31, 2021. Gross profit margin is calculated as gross profit divided by revenue. The gross profit margin of the Group increased from 58.9% for the year ended December 31, 2020 to 74.1% for the year ended December 31, 2021, mainly due to (i) since December 31, 2020, we have obtained approvals from the NMPA for eight products, among which we have successfully launched six products in China as at December 31, 2021, and most of them have overall gross profit margin higher than those products commercialized before December 31, 2020; and (ii) we achieved significant progress in the commercialization of our products in China, and domestic sales that have higher gross profit margin as compared to sales overseas contributed much higher percentage of overall revenue for the year ended December 31, 2021 than that for the year ended December 31, 2020.

Research and Development Expenses

The Group's research and development expenses for the year ended December 31, 2021 was RMB168.1 million, representing an increase of 133.3% compared to RMB72.1 million for the year ended December 31, 2020. The increase was primarily attributable to (i) increased number of R&D personnel and share-based payment increased from RMB6.7 million for the year ended December 31, 2020 to RMB39.5 million for the year ended December 31, 2021; and (ii) increased testing, clinical trial, professional service fees and raw material and consumables used from RMB28.1 million for the year ended December 31, 2020 to RMB73.4 million for the year ended December 31, 2021, primarily due to more research and development projects and development of these projects.

Research and development expenses	**Year ended December 31, 2021 (Audited)**		Year ended December 31, 2020 (Audited)	
	RMB'000	***Proportion***	*RMB'000*	*Proportion*
Employee benefits expenses	**85,262**	**50.7%**	35,062	48.7%
Testing and clinical trial fees for research and development	**41,386**	**24.6%**	13,109	18.2%
Raw materials and consumables used	**24,897**	**14.8%**	9,853	13.6%
Depreciation and amortization	**6,549**	**3.9%**	7,319	10.2%
Professional services	**7,120**	**4.2%**	5,185	7.2%
Others	**2,886**	**1.8%**	1,537	2.1%
Total	**168,100**	**100.0%**	72,065	100.0%

Selling and Distribution Expenses

The Group's selling and distribution expenses for the year ended December 31, 2021 was RMB95.3 million, representing an increase of 365.8% compared to RMB20.5 million for the year ended December 31, 2020. The increase was primarily attributable to (i) increased marketing and product education activities along with increasing number of newly launched products and associated expansion of our sales and marketing team; and (ii) increased relevant share-based payment from RMB4.2 million for the year ended December 31, 2020 to RMB15.9 million for the year ended December 31, 2021. The sales and distribution expense, excluding share-based payment, as percentage of overall revenue has been decreased from 58.9% for the year ended December 31, 2020 to 44.6% for year ended December 31, 2021.

Administrative Expenses

The Group's administrative expenses for the year ended December 31, 2021 was RMB100.6 million, representing an increase of 224.6% compared to RMB31.0 million for the year ended December 31, 2020. The increase was primarily attributable to (i) RMB22.7 million of fees in relation to our financing activities, such as IPO and series C+ round of financing; and (ii) increase in our employee benefit expenses, office and utility expenses due to our business growth, in particular, increased relevant share-based payment from RMB11.8 million for the year ended December 31, 2020 to RMB20.7 million for the year ended December 31, 2021.

Other Expenses

The Group's other expenses for the year ended December 31, 2021 was RMB0.7 million, representing an increase of 177.0% compared to RMB0.3 million for the year ended December 31, 2020. The increase was primarily attributable to increased leased area.

Other Income

The Group's other income for the year ended December 31, 2021 was RMB15.3 million, representing an increase of 52.9% compared to RMB10.0 million for the year ended December 31, 2020. The increase was primarily attributable to an increase of government grants in 2021.

Other Gains/(Losses)

The Group's other gains for the year ended December 31, 2021 was a net gain of RMB5.1 million, representing an increase of 288.9% compared to a net loss of RMB2.7 million for the year ended December 31, 2020. The increase was primarily attributable to an increase in interest income on financial assets at fair value through profit or loss.

Finance Income/(Costs) — net

The Group's finance income — net for the year ended December 31, 2021 was RMB12.8 million, representing an increase from a finance cost — net of RMB0.3 million for the year ended December 31, 2020. The increase in finance income/(costs) — net was primarily attributable to an increase in bank interest income in 2021.

Income Tax Expense

The Group did not incur income tax expense for the year ended December 31, 2020 and 2021 as our Group had no assessable profit.

Non-IFRS Measures

To supplement our consolidated statement of comprehensive income which are presented in accordance with IFRS, we also use adjusted net loss as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures facilitates a comparison of our operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. Such non-IFRS measures allow investors to consider metrics used by our management in evaluating our performance. From time to time in the future, there may be other items that we may exclude in reviewing our financial results. 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 measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table shows its reconciliation to loss for the periods indicated:

	Year ended December 31, 2021 *(RMB'000)* (Audited)	Year ended December 31, 2020 *(RMB'000)* (Audited)
Loss for the period	**(199,689)**	(100,468)
Add:		
Share-based compensation expenses[(1)]	**76,211**	23,111
Listing expenses[(2)]	**22,733**	–
Adjusted net loss for the period[(3)]	**(100,745)**	(77,357)

Notes:

(1) Share-based compensation expenses is non-operational expenses arising from granting shares through the Employee Incentive Platforms and Pre-IPO Share Option Scheme to eligible employees of the Group, 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) Listing expenses are one-off expenses in relation to the IPO and the Global Offering.

(3) We consider the share-based compensation expenses and listing expenses as non-operational or one-off expenses which do not affect our ongoing operating performance. We believe the net loss as adjusted by eliminating potential impacts of the share-based compensation expenses and listing expenses provides useful information to investors in facilitating a comparison of our operating performance from period to period.

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

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth, safeguard its normal operations and maximize shareholders' value. The Group reviews and manages its capital structure on a regular basis, and makes timely adjustments to it in light of changes in economic conditions.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at December 31, 2021 were RMB1,418.4 million, representing an increase of 2,281.6% compared to RMB59.6 million as at December 31, 2020. Term deposits as at December 31, 2021 were RMB1,500.0 million as compared to RMB100.0 million as at December 31, 2020. Financial assets measured at fair value were RMB10.5 million as at December 31, 2021 as compared to RMB157.7 million as at December 31, 2020.

We rely on capital contributions by our shareholders as the major sources of liquidity. We also generate cash from our sales revenue of existing commercialized products, including Thrombite® CRD, UltraFree® DCB, SilverSnake® intracranial support catheter, intracranial PTA balloon catheter (Rx), PTA balloon catheter, neurovascular embolization coils, snare retrieval kit for IVCF, high pressure (HP) PTA balloon catheter and distal access catheter. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of existing commercialized products and by launching new products, as a result of the broader market acceptance of our existing products and our continued efforts in marketing and expansion, improving cost control and operating efficiency and accelerating the turnover of trade receivables by tightening our credit policy.

Borrowings and Gearing Ratio

As at December 31, 2021, our borrowings were fully repaid.

The gearing ratio (calculated by dividing the sum of borrowings and lease liabilities by total equity) of the Group decreased from 8.1% for the year ended December 31, 2020 to 0.3% for the year ended December 31, 2021 primarily because the Company repaid all the outstanding bank loans and the completion of the series C+ round of financing and initial public offering took place in 2021 and the remaining debt is purely for house leasing.

Net Current Assets

The Group's net current assets, as at December 31, 2021 were RMB2,927.1 million, representing an increase of 819.0% compared to net current assets of RMB318.5 million as at December 31, 2020 primarily due to the IPO and series C+ financing of the Company.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our bank balances, other receivables, other financial assets, other payables and other financial liabilities 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.

Pledge of Shares

We do not have any pledging of Shares by our Single Largest Group of Shareholders.

Significant Investments, Material Acquisitions and Disposals

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

Charge on Assets

As at December 31, 2021, there was no charge on assets of the Group.

Contingent Liabilities

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

Events after the Reporting Period

H Share Full Circulation

On November 26, 2021, the Company received a formal official approval from the China Securities Regulatory Commission regarding the implementation of the full circulation of H Shares, pursuant to which up to 194,099,746 Domestic Shares can be converted into H Shares, and their listing thereof on the Stock Exchange. On January 18, 2022, the Stock Exchange granted approval for the listing of and permission to deal in 194,099,746 H Shares, representing the maximum number of Domestic Shares to be converted to H Shares. On March 3, 2022, the conversion of 194,099,746 Domestic Shares into H Shares has been completed, and listing of such Shares on the Stock Exchange commenced on March 4, 2022. For more related details, please refer to the Company's announcements dated November 26, 2021, February 28, 2022 and March 3, 2022.

Save as disclosed above, the Company is not aware of any material subsequent events from December 31, 2021 to the Latest Practicable Date.

Employees and Remuneration Policies

As at December 31, 2021, we had 487 employees in total. For the Reporting Period, we incurred staff costs of RMB202.6 million, representing an increase of 169.4% compared to RMB75.2 million for the year ended December 31, 2020, primarily due to the increased number of our employees and share-based payment expense. For more details, please refer to Note 8 to the Consolidated Financial Statements.

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

As required by the PRC laws and regulations, we make contributions to statutory employee benefit plans (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds) at a certain percentage of our employees' salaries, including bonus and allowances, up to a maximum amount specified by the local government. During the year ended December 31, 2021, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

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, projects and stock incentive plans to our employees especially key employees. For more details, please refer to the section headed "Share Incentive Schemes" in the Report of the Directors.

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 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 limit to internal funds and bank loans.

III. PRINCIPAL RISKS AND UNCERTAINTIES

Principal Risks and Uncertainties facing the Company

The principal risks and uncertainties that may cause the Group's financial conditions or results to materially deviate from the expected or historical results can be categorized into the following areas: (i) risks relating to our business; (ii) risks relating to our financial position and need for additional capital; (iii) risks relating to our general operations; and (iv) risks relating to doing business in China.

Risks Relating to Our Business

- Our revenues during the year ended December 31, 2021 substantially rely on a limited number of commercialized products, including Thrombite® CRD, UltraFree® DCB, SilverSnake® intracranial support catheter, intracranial PTA balloon catheter (Rx), PTA balloon catheter, neurovascular embolization coils, snare retrieval kit for IVCF, high pressure (HP) PTA balloon catheter and distal access catheter.

- Our future growth depends substantially on the success of our product candidates. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.

- We face substantial competition, tendering and pricing pressure in the medical device and the relatively mature peripheral-vascular interventional device markets, which may result in others discovering, developing or commercializing competing products before or more successfully than we do.

- We have relatively limited experience in marketing and sales of our products, and may not be able to successfully commercialize our product candidates and generate revenue.

- The manufacture of our products is highly complex and subject to strict quality controls. If we or one of our suppliers or logistics partners encounters manufacturing, logistics, or quality problems, including as a result of natural disasters, our business could suffer.

- All material aspects of our business operations are heavily regulated.

- If we are unable to obtain and maintain patent protection for our products and product candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.

- If we cannot maintain or develop relationships with hospitals and physicians, our results of operations and prospects could be adversely affected.

Risks Relating to Our Financial Position and Need for Additional Capital

- We have incurred net losses since our inception and may incur net losses for the foreseeable future.

- We may need to obtain additional financing to fund our operations, and we had net cash outflows from our operating activities during the Reporting Period. If we are unable to obtain financing, we may be unable to complete the development and commercialization of our primary product candidates.

- We have historically received government grants and subsidies for our R&D activities and there can be no assurances that we will continue to receive such grants or subsidies in the future.

- Future tax payments or the discontinuation of any of the preferential tax treatments currently available to us could reduce our profitability.

Risks Relating to Our General Operations

- Our operations and business plans may be adversely affected by natural disasters, health epidemics and pandemics, civil and social disruption and other outbreaks, in particular the COVID-19 outbreak.

- Our future success depends on our ability to retain our executives, key personnel in our R&D manufacturing, marketing teams and to attract, retain and motivate qualified personnel.

Risks Relating to Doing Business in China

- The medical device industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our product candidates.

- We are a PRC enterprise and we are subject to PRC tax on our global income, and the dividends payable to investors and gains on the sale of our H Shares by our investors are subject to PRC tax.

- Payment of dividends is subject to restrictions under PRC law and regulations.

IV. PROSPECTS

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

Continue to accelerate product development and expand our product portfolio to provide total solutions

We believe our leadership is, and will continue to be, attributable to our successful development of a robust portfolio of complementary and advanced products. We will continue to accelerate product development and expand our product portfolio.

We currently have an extensive portfolio with 55 products and product candidates in different development stages. We plan to obtain NMPA approvals for eight products in 2022 and obtain NMPA approvals for other candidates by 2025. We plan to accelerate the clinical trial and registration of such product candidates. We currently have 12 products in the clinical trial stage. We will leverage our close relationships with KOLs and leading hospitals to accelerate patient enrollment for our clinical trials. Some of our product candidates are eligible for clinical trial exemption under the Catalogue of Medical Devices Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》) issued by the NMPA. We will further enhance our development efforts in type testing, animal study and product registration for these exempted product candidates in order to further enrich our product portfolio.

In addition, we plan to expand our portfolio to cover more indications in neuro- and peripheral vascular areas and provide more effective solutions to patients and physicians, gradually increasing our market penetration. We plan to conduct further studies on our approved products, such as product improvements to realize whole-device imaging and longer treatment window for Thrombite® CRD, as well as material upgrade and indication expansion to cover BTK indications, dialysis fistulae for UltraFree® DCB. On the back of the breadth of our portfolio, we are confident to provide total solutions to the full spectrum of neuro- and peripheral-vascular diseases.

To further enhance our product development capabilities, we plan to expand our R&D team and improve execution efficiency throughout the development processes. We expect to hire additional R&D members with solid academic background and extensive industry experience in order to further accelerate our product development pace and expand our portfolio.

Further advance R&D capabilities to support our long-term growth

We plan to further enhance our R&D capability focusing on interventional solutions tailored for neuro- and peripheral-vascular diseases in China. We will continue to invest in technology innovations to support the development of next generation products. We also plan to improve our R&D efficiency leveraging our synergistic technology platforms in neuro- and peripheral-vascular fields.

To advance our R&D efforts, we plan to recruit more talents to strengthen our internal R&D teams. We intend to strengthen our collaboration with KOLs and leading physicians and hospitals to gain first-hand knowledge of current and unmet clinical needs, surgeons' preferences and clinical trends, in order to enhance the clinical utility of our products and therefore increase the market potential of our product candidates.

In addition, we may strategically collaborate with academic institutions or medical associations on developing new products to broaden our product portfolio. We also plan to complement our organic growth with prudent investment, acquisition or partnership. Particularly, we plan to opportunistically acquire product candidates which have advanced technologies or have synergies with our existing research and development infrastructure. To pursue such opportunities, we will explore suitable investment and partnership arrangements, including establishing strategic alliances, joint ventures and in-licensing relationships. We believe that our extensive industry knowledge and R&D expertise, and proven product development speed will not only empower us to promptly identify and capture potential targets to enhance our R&D capabilities, but also make us a more desirable acquirer or partner than our competitors.

Further strengthen our commercialization capabilities to solidify our leadership in China

We plan to further strengthen our commercialization capabilities to accelerate sales of our approved product and late-stage product candidates. We will further deepen our collaboration with KOLs and physicians and continue to actively participate in academic promotion such as providing product education to physicians to further increase adoption of our products, and enhance recognition for our product offering and innovation. To increase penetration among our covered hospitals and enter into new hospitals, we expect to further expand the distribution network for both of our existing and future commercialized products by cooperating with additional distributors who have impressive sales records in high-growth regions in China. We plan to coordinate our sales and marketing team to support these distributors to reach their sales targets. In preparation for the sales expansion of our marketed products and upcoming commercialization of our product candidates at registration stage, we intend to further scale up our sales and marketing team by hiring additional experienced sales personnel.

We also endeavor to enhance our manufacturing capabilities to support the sales of our approved products and expedite the commercialization of our products candidates. We believe that the ability to cost-effectively manufacture high-quality products on a commercial scale is key to meeting the fast-growing market needs and capturing additional growth opportunities. We have completed construction of our new headquarters manufacturing facilities in Hangzhou with aggregate area of approximately 13,000 sq.m. As at the Latest Practicable Date, the new facilities in Hangzhou have preliminary been used to manufacture sample of our candidates, and are expected to be in full operation by the end of 2022. In addition, we plan to expand the manufacturing facilities in Zhuhai to capture the market demand of our products, including Thrombite® CRD. We intend to build a new manufacturing site in Zhuhai with an aggregate area of approximately 20,000 sq.m., which is expected to enter into full operation by the end of 2022. We also plan to further enhance our manufacturing capacities by investment in automation to meet growing market needs.

Further develop our integrated platform and enhance operational efficiency

We plan to further streamline our integrated platform with comprehensive R&D, manufacturing and commercialization capabilities. With our continuously growing operation scale, we will further centralize and unify our management in procurement, clinical trial, registration, manufacturing and quality control, in order to enhance our overall operational efficiency.

We believe that manufacturing capability and quality control are critical to the expansion of our product portfolio. Our new manufacturing facilities in Hangzhou are expected to be in full operation by the end of 2022, which will enhance our manufacturing capacity and help further centralize our procurement and production processes. We plan to strengthen our production efficiency by streamlining supply chain management, quality control systems and reducing raw material and processing costs. We intend to continue in-house production for all our future marketed products.

With the successful registrations for 18 products and our regulatory experience with the NMPA registration process and CE Mark, we plan to further implement centralized product registration management which allows us to share such experience among various registration processes and to reduce the costs and time involved in the clinical trial and product registration for our product candidates.

We plan to enhance the core competency of every aspect of our integrated platform, from R&D, manufacturing to commercialization, which in turn will further promote the overall competitiveness of our Company. We aim to upgrade from an R&D-driven company to a full-powered integrated platform. We will maximize the synergy effect of our integrated platform to rely on the revenue from our commercialized products and other resources to support the development and commercialization of our other product candidates, which in turn will generate more revenue thereby mitigating the uncertainties and risks involved in the development of innovative medical devices and ensure sustainable growth.

Selectively expand our global footprint

As at the Latest Practicable Date, we have obtained CE Mark for eight products and commercialized all products in Europe, including Thrombite® CRD, peripheral stent system, PTA balloon catheter and HP PTA balloon catheter. Leveraging our successful overseas registration and sales experiences, we intend to pursue geographical expansion in selected markets based on different product demands, adopting tailored strategies to commercialize our products in different target jurisdictions, including joint development, granting commercial rights to third parties and cooperation with distributors. We hold global rights of our products and product candidates through patent registration and protection over proprietary technologies. We may enter into partnership arrangements to expand our market coverage and maximize the global value of our products. In particular, we have considered the geographical distance, disease similarity, regional competitive landscape of medical device, and local regulatory conditions for our plan to expand geographical coverage.

To promote our brand name overseas, we plan to become a regular and long-term participant of LINC and join more prominent international medical conferences and industry exhibitions such as World Live Neurovascular Conference, and conferences held by European Stroke Organization and World Stroke Organization. We plan to leverage our brand name in China and high product quality to promote our brand awareness and build our reputation among influential KOLs and major medical associations globally. Led by our management team's global vision and leveraging our proven R&D, manufacturing and commercialization capabilities, we may also strategically import advanced technologies, invention patents and product prototypes from overseas or collaborate with overseas companies to co-develop products to expand our global footprint.

DIRECTORS

Executive Directors

Dr. Jonathon Zhong Zhao (» •) ("**Dr. Zhao**"), aged 55, is the chairman of our Board, an executive Director and the chief executive officer of our Company. Dr. Zhao founded our Group in November 2012. Dr. Zhao was appointed as the chairman of the Board and a director of our Company in November 2012 and re-designated as an executive Director in March 2021. He is primarily responsible for the overall management and business strategies of our Group.

Dr. Zhao has 25 years of experience in the pharmaceutical and medical device industries. Prior to founding our Group, Dr. Zhao served as an associate director and scientist of Guilford Pharmaceuticals Inc. (now part of Eisai Co., Ltd., a company listed on the Tokyo Stock Exchange (stock code: 4523)) from July 1996 to June 2002. He then joined Cordis Corporation, a Johnson & Johnson Company (now a Cardinal Health company) and served as a principal scientist and a research fellow from July 2002 to August 2011, focusing on drug device combination product developments.

Since founding our Group, Dr. Zhao has brought in professional expertise to every aspect of our business and overseen the research and development of our comprehensive product portfolio. He has also led the management of commercialization of our products and contributed to the training of personnel of our Company.

Dr. Zhao received a bachelor's degree in polymer chemistry and synthesis from Sichuan University in the PRC in June 1988 and a Ph.D. degree in biomedical engineering from Johns Hopkins University, School of Medicine in the United States in May 1997.

Mr. Yang Xie (} ¢) ("**Mr. Xie**"), aged 52, is an executive Director and a senior vice president of our Company. Mr. Xie was appointed as a director of our Company in March 2018 and re-designated as an executive Director in March 2021. He is primarily responsible for the overall sales and marketing, and business strategies of our Group.

Prior to joining our Group, Mr. Xie served as the director of sales and marketing of Johnson & Johnson Medical (China) Ltd. (強生(中國)醫療器材有限公司) from July 1995 to October 2010. He then served as a vice president of Panshi Information Technology Co., Ltd. (磐石信息技術有限公司) from January 2011 to September 2012. During October 2012 to September 2014, Mr. Xie served as the general manager of Shanghai Puwei Medical Instrument Factory Co., Ltd. (上海浦衛醫療器械廠有限公司), after which he joined and served as an investment partner of Milestone Capital from October 2014 to June 2016, specializing in investments in the medical device and related industries.

Mr. Xie received a bachelor's degree in biomedical electronics and a master's degree in radio electronics from Fudan University in the PRC in July 1992 and July 1995, respectively. He also completed the Executive M.B.A. program in Washington University in St. Louis in the United States in December 2003.

Dr. Zheng Li (½ c) ("**Dr. Li**"), aged 44, is an executive Director and a senior vice president of our Company. Dr. Li was appointed as a director of our Company in January 2019 and re-designated as an executive Director in March 2021. Dr. Li joined our Group in February 2016, and was subsequently appointed as the general manager of our neurovascular business in 2018. He is primarily responsible for the overall management and business strategies of our neurovascular business of our Group.

Prior to joining our Group, Dr. Li served as a staff engineer of Covidien (China) Medical Devices Technology Co., Ltd, currently a subsidiary of Medtronic PLC (a company listed on the New York Stock Exchange (stock code: MDT)) until July 2015, which is among the world's largest medical technology, services and solutions companies. Before that, Dr. Li has served multiple companies in the healthcare and medical device industries, from 2009 to 2013, Dr. Li successively worked at Mystic Pharmaceuticals Limited, a pharmaceutical company, and International Biomedical Ltd, a company focusing on innovative neonatal and perinatal products and technologies.

Dr. Li received a bachelor's degree in thermal energy and power engineering and a master's degree in testing measurement technology and instrument from Southeast University in the PRC in June 1999 and April 2002, respectively, and a Ph.D. degree in mechanical engineering from North Carolina State University in the United States in August 2007. Dr. Li has also been a member of the Zhuhai European and American Alumni Association since September 2018.

Non-executive Directors

Mr. Stephen Hui Wang (î /) ("**Mr. Wang**"), aged 49, is a non-executive Director. He is primarily responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Mr. Wang has served as the chief executive officer of HighLight Capital since 2014, leading the fund in investments in the healthcare and consumer technology industries. Prior to joining HighLight Capital, he served as a general partner and a member of investment committee of CDH Investments from 2009 to 2014. Mr. Wang then joined our Company as a director in November 2015 and he ceased to act as the director of our Company in March 2018 due to his other business commitment and the change of nominee director by the Shareholders (namely Highlight Medical Limited, Ourea Biotech HK Limited and Suzhou Taihong Jinghui Investment Center (Limited Partnership) (collectively, "**HLC Shareholders**"), each being our Shareholder and ultimately controlled by Mr. Wang). He was re-appointed as a director of the Company in December 2020 due to the internal personnel adjustment of the HLC Shareholders in relation to the management of invested companies and re-designated as a non-executive Director in March 2021. During his tenure with our Company since November 2015, Mr. Wang had been primarily involved in providing strategic advice and guidance on the business operations of the Group, including, among others, leveraging his professional skills in business management to assist the Board to develop strategies and policies to improve the performance of the Group, and assisting the Company and its management team in broadening the Company's access to the business and financing resources in the market.

Mr. Wang received a bachelor's degree in biology from the University of Science and Technology of China in the PRC in July 1996 and a master's degree in chemistry from New York University in the United States in May 1998, and an M.B.A. degree from London Business School in the United Kingdom in August 2007.

Dr. Hai Lu (Ô) ("**Dr. Lu**"), aged 51, is a non-executive Director. Dr. Lu was appointed as a director of our Company and re-designated as a non-executive Director in March 2021. He is primarily responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Dr. Lu joined PricewaterhouseCoopers as a senior manager from July 2005 to June 2010, after which he served as the business development director of the Asia Pacific region of Stryker Corporation from June 2010 to March 2015. Dr. Lu also served as a director of Lipin Pharmaceutical (Xiamen) Co., Ltd. (力品藥業(廈門)有限公司) from December 2017 to November 2018, a managing director of SDIC Fund Management Co., Ltd. from January 2017 to May 2021, a director of MinFound Medical Systems Co., Ltd. (明峰醫療系統股份有限公司) from June 2018 to June 2021, and a director of CF PharmTech, Inc. (長風藥業股份有限公司) from August 2017 to December 2021.

Dr. Lu received a bachelor's of science degree from Winona State University in the United States in May 1995 and a Ph.D. degree in pharmaceutical chemistry from the University of Utah in the United States in December 2001.

Dr. Steven Dasong Wang (î }) ("**Dr. Wang**"), aged 53, is a non-executive Director. Dr. Wang was appointed as a director of our Company in October 2020 and re-designated as a non-executive Director in March 2021. He is primarily responsible for overseeing Board affairs and giving strategic advice and guidance on the business operations of our Group.

Dr. Wang has over 20 years of experience in working in global investment banks and direct investment firms. He has been serving as a partner and senior management director of Asia at OrbiMed Advisors LLC, an investment fund with a focus on the healthcare industry, since September 2019. Prior to joining OrbiMed Advisors LLC, he used to serve as a managing director and head of APAC Healthcare Investment Banking at Credit Suisse (Hong Kong) Limited, a managing director at the investment banking department of UBS AG Hong Kong Branch and an executive director at the investment banking division of Morgan Stanley in Hong Kong.

Dr. Wang was a director in following listed public companies:

- Non-executive director, of Union Medical Healthcare Limited (香港醫思醫療集團有限公司), a company listed on the Stock Exchange (stock code: 2138) from April 2020 to July 2021; and

- Non-executive director, of 3SBio Inc., a company listed on the Stock Exchange (stock code: 1530) from June 2017 to October 2019.

Dr. Wang obtained his Bachelor of Arts degree in chemistry from the University of Southern Maine in May 1991 in the U.S. and his Ph.D. degree in medicinal chemistry from the Johns Hopkins University in the U.S. in May 1997, as well as a Master of Business Administration degree (with distinction) from New York University in September 2000. He has been a Chartered Financial Analyst with the Association for Investment Management and Research since September 2002.

Independent Non-executive Directors

Dr. Jian Ji ( ) ("**Dr. Ji**"), aged 52, has served as our independent non-executive Director since March 2021. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Dr. Ji started his teaching career at the department of polymer science and engineering in Zhejiang University (浙江大學高分子科學與工程學系) in December 1997, where he served as a lecturer from December 1997 to December 2000 and as an associate professor from December 2000 to December 2004. He has served as a professor at the department since December 2004, and took up the position as the director of the Institute of Biomedical Macromolecules of Zhejiang University (浙江大學生物醫用大分子所) since August 2018.

Dr. Ji is a notable individual in the scientific field. He has been named a Changjiang Distinguished Professor of Ministry of Education (教育部長江特聘教授) since March 2016. He received the Nomination Award of the 5th Feng Xinde Polymer Prize (第五屆馮新德高分子獎提名獎) in June 2010 and the First Prize of Zhejiang Science and Technology Award (浙江省科學技術獎一等獎) for his participation in the Research on Biomimetic Layered Assembly Construction of Biomedical Functional Coating Materials (《仿生層狀組裝構建生物醫用功能塗層材料的研究》) in 2011. In addition, Dr. Ji was the winner of National Science Fund for Distinguished Young Scholars (國家傑出青年科學基金) in October 2010 and a Fellow of the Royal Society of Chemistry since June 2017.

Dr. Ji received a bachelor's degree in chemistry from Zhejiang University in the PRC in July 1992 and a Ph.D. degree in polymer chemistry and physics from Zhejiang University in the PRC in August 1997.

Mr. Hongze Liang (Ñ s ã) ("**Mr. Liang**"), aged 50, has served as our independent non-executive Director since March 2021. He is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Mr. Liang started his career as an accountant of China Financial Computerization Corporation of the People's Bank of China from July 1993 to August 1997, and became a project manager at the investment banking division of the Beijing headquarters of China Industrial Securities Co., Ltd. (興業證券股份有限公司) from September 2000 to February 2002. Mr. Liang served as an investment director Shanghai Chunda Investment Group (上海淳大投資集團) from March 2002 to July 2004. During March 2004 to February 2013, he has served in various positions, including investment director, chief financial officer and general manager, of China Resources Medical Holdings Company Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01515), formerly known as Phoenix Healthcare Group Co., Ltd.), where he also served as the chief executive officer and an executive director from February 2013 to November 2016, the chairman of its board of directors from February 2013 to April 2016, and a non-executive director from November 2016 to October 2017. Mr. Liang also served as the general manager of China Resources Healthcare Group Limited from November 2016 to October 2017, an executive director of the company from January 2017 to March 2020, and the co-president of CMH Healthcare Fund from November 2019 to March 2021.

Mr. Liang received a bachelor's degree in investment economics from Dongbei University of Finance and Economics in the PRC in July 1993 and a master's degree in finance from the Graduate School of People's Bank of China in the PRC in October 2000.

Ms. Yun Qiu (“ Z**)** (“**Ms. Qiu**”), aged 58, has served as our independent non-executive Director since March 2021. She is primarily responsible for participating in the decision making for our Company's significant events and advising on issues relating to corporate governance, audit and the remuneration and assessment of our Directors, Supervisors and senior management.

Ms. Qiu has been an accounting professor in Ningbo University (寧波大學) since November 2004. She started her academic career as a teaching assistant at the business school of Ningbo University in July 1986, and became an associate professor in December 1999.

Ms. Qiu worked as an associate professor in the principles of accounting and financial management and was the vice dean of the International College of Ningbo University (寧波大學國際交流學院) from January 2001 to March 2005, where she was then promoted to professor and then the dean of the college from April 2005 to June 2014.

Ms. Qiu has been served as an independent director of Ningbo Fuda Co,. Ltd. (寧波富達股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600724)) since April 2020. Ms. Qiu served as independent non-executive director of Sinopec Zhenhai Refining & Chemical Company Limited (a company privatized by China Petroleum & Chemical Corporation (中國石油化工股份有限公司) and delisted from the Hong Kong Stock Exchange in May 2006) from June 2003 to March 2006, an independent director of Ningbo Cixing Co., Ltd. (寧波慈星股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300307)) from December 2010 to September 2015, an independent director of Yinyi Real Estate Co., Ltd. (銀億股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000981)) from July 2011 to October 2017, an independent director and chairlady of the audit committee of Youngor Group Co., Ltd. (雅戈爾集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600177)) from April 2014 to May 2020, an independent director and chairlady of the audit committee of Rongan Property Co., Ltd. (榮安地產股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000517)) from June 2014 to July 2020, an independent director and chairlady of the audit committee of Ningbo Boway Alloy Material Co., Ltd. (寧波博威合金材料股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601137)) from July 2015 to May 2021, and an independent non-executive director and chairlady of the audit committee of Zhejiang New Century Hotel Management Co., Ltd. (a company listed on the Hong Kong Stock Exchange (stock code: 01158)) from June 2017 to May 2021.

Ms. Qiu received a bachelor's degree in economics from Fudan University in the PRC in July 1986 and a master's degree in business administration from the McGill University in Canada in June 1997. She was qualified as a professor in accounting by Zhejiang Provincial Normal High School Teacher Senior Technical Expert Qualifications Board (浙江省普通高校教師高級專業技術資格評審委員會) in November 2004.

SUPERVISORS

Ms. Jie Liang (Ñ ~) ("**Ms. Liang**"), aged 38, is the chairlady of our Supervisory Committee. Ms. Liang was appointed as an employee Supervisor in March 2021. She is primarily responsible for monitoring of the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Ms. Liang joined our Group as a registration manager in March 2014 and was promoted to registration director in February 2019. Since her joining, Ms. Liang has assisted in planning and registration of peripheral vascular products of our Group. Ms. Liang also served as registration officer in Zhejiang Haisheng Medical Equipment Co., Ltd. (浙江海聖醫療器械有限公司) from March 2007 to March 2014, where she participated in the registration of anesthesia consumables products of the company.

Ms. Liang received a bachelor's degree in Chinese linguistics from Shaoxing University in the PRC in June 2007.

Mr. Chunhui Men (~ F >) ("**Mr. Men**"), aged 55, is a shareholders' representative Supervisor. Mr. Men was appointed as a shareholders' representative Supervisor in March 2021. Mr. Men joined our Group in November 2012 and served as a director of our Company from November 2012 to March 2021. He is primarily responsible for monitoring of the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Mr. Men has been serving as the general manager of Nanjing Hongjing Venture Capital Co., Ltd. (南京鴻景創業投資有限公司) (now known as Nanjing Hongjing Enterprise Management Consulting Co., Ltd. (南京鴻景企業管理諮詢有限公司)) since April 2003, and as the general manager of Nanjing Jinan City Trading Company (南京紀南城商貿有限公司) since September 2009.

Mr. Men received a bachelor's degree in economic management from Tianjin Nankai University in the PRC in July 1989.

Ms. Hongbo Wang (î ƒ *) ("**Ms. Wang**"), aged 34, is an employee Supervisor. Ms. Wang was appointed as an employee Supervisor in March 2021. She is primarily responsible for monitoring of the financial affairs of our Company, supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Ms. Wang joined our Group as registration manager in August 2018 and was promoted to senior registration manager in January 2021. Since her joining, Ms. Wang has been responsible for registration of new products and maintenance of listed products of our Group. Prior to joining our Group, Ms. Wang worked at Jafron Biomedical Co., Ltd. (健帆生物科技集團股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300529)) from July 2010 to August 2018, where she was responsible for the quality management and registration of the medical devices of the company.

Ms. Wang obtained her qualification as an internal auditor of the medical device quality management system (醫療器械品質管制體系) (ISO 9001: 2015 and ISO 13485: 2016) from Beijing Hua Guang Certification of Medical Devices Co., Ltd. (北京國醫械華光認證有限公司) in June 2019.

Ms. Wang received a bachelor's degree in pharmaceutical engineering from Sichuan University in the PRC in June 2010.

SENIOR MANAGEMENT

Dr. Jonathon Zhong Zhao (» •), aged 55, is the chairman of our Board, an executive Director and the chief executive officer of our Company. For details of his biography, see the sub-section headed "Executive Directors" in this section.

Mr. Yang Xie (} ¢), aged 52, is an executive Director and a senior vice president of our Company. For details of his biography, see the sub-section headed "Executive Directors" in this section.

Dr. Zheng Li (½ c), aged 44, is an executive Director and a senior vice president of our Company. For details of his biography, see the sub-section headed "Executive Directors" in this section.

Dr. Ning Pan (™ ¹) ("**Dr. Pan**"), aged 55, is the senior vice president of our Company. Dr. Pan joined our Group in January 2019. He is primarily responsible for the overall research and development, and product portfolio management of peripheral vascular business of our Group. Dr. Pan has more than 20 years of experience in the medical device industry and served in multiple international medical device companies, such as Johnson & Johnson and Boston Scientific Corporation.

Dr. Pan served as an Engineer VI in Hewlett-Packard from January 2000 to April 2005. During 2006 to 2013, he served as the principal engineer in Johnson & Johnson (a company listed on the New York Stock Exchange (stock code: JNJ)), focusing on research and development of cardiovascular device implant. Dr. Pan then joined Boston Scientific Corporation (a company listed on the New York Stock Exchange (stock code: BSX)) as an engineering fellow from June 2013 to March 2019, where he was responsible for the research and development in the area of transcatheter aortic valve replacement.

Dr. Pan received a bachelor's degree in metallic materials engineering from Shanghai Jiaotong University in the PRC in July 1988 and a Ph.D. degree in mechanical engineering from the Stanford University in the United States in June 2000.

Mr. Quanwei Yuan (º p) ("**Mr. Yuan**"), aged 43, is the chief financial officer of our Company. Mr. Yuan joined our Group in January 2021. He is primarily responsible for overseeing the financial management and corporate development of our Group.

Mr. Yuan has more than 10 years of corporate finance and financial market related experience. Prior to joining our Company, he served as an executive director and the chief financial officer for Souche Holding from March 2018. Between November 2016 to March 2018, Mr. Yuan joined Simcere Pharmaceutical Group as the vice president, overseeing capital market and business development. Before that, Mr. Yuan worked for investment banking division for various multi-national investment bank, namely Credit Suisse Group AG, Deutsche Bank AG and Bank of America & BofA Securities (formerly Bank of America Merrill Lynch) from July 2009 to October 2016. His last function with Bank of America & BofA Securities is director in investment banking division.

Mr. Yuan received a bachelor's degree in civil engineering from Tongji University in the PRC in July 2001, a master's degree in civil engineering from the University of Cincinnati in the United States in March 2005 and a M.B.A. degree from the University of Chicago in the United States in June 2009.

The Directors present their report and the audited consolidated financial statements (the "**Consolidated Financial Statements**") of the Group for the Reporting Period.

GLOBAL OFFERING

The Company is a limited liability company incorporated in the PRC on November 6, 2012 and converted into a joint stock limited liability company incorporated in the PRC on March 2, 2021. On July 5, 2021, the Company was successfully listed on the Main Board of the Stock Exchange following completion of the offering of 60,000,000 new H Shares of par value of RMB1.0 each at the price of HKD42.70 per share. The net proceeds arising from the initial public offering of the Company amounted to approximately HKD2,477.4 million.

On July 25, 2021, the Over-allotment Option was exercised in full by the Joint Representatives, on behalf of the International Underwriters (as defined in the Prospectus) where an additional 9,000,000 H Shares with a par value of RMB1.0 each at the price of HKD42.70 per share was issued on July 28, 2021. The net proceeds arising from the full exercise of the Over-allotment Option amounted to approximately HKD347.3 million.

PRINCIPAL ACTIVITIES

The Company was established in the PRC on November 6, 2012 and was converted into a joint stock limited liability company on March 2, 2021. The Company completed its initial public offering and listing of its H Shares on the Main Board of the Hong Kong Stock Exchange (stock code: 2190) on July 5, 2021.

During the Reporting Period, the Group is principally engaged in providing solutions to patients and physicians with the product portfolio covering peripheral-vascular interventional devices and neurovascular interventional devices in China and other countries. There was no significant change in the nature of the Group's principal activities during the Reporting Period and up to the date of this report.

Particulars of the Company's principal subsidiaries as at December 31, 2021 are set out in Note 34 to the Consolidated Financial Statements.

BUSINESS REVIEW

A review of the Group's business during the Reporting Period, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the Reporting Period, and an indication of likely future developments in the Group's business, could be found in the sections headed "Management Discussion and Analysis" in this report. The review and discussion form part of this Report of the Directors.

RESULTS AND DIVIDEND

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as at December 31, 2021 are set out in the Consolidated Financial Statements and their accompanying notes on pages 125 to 196.

No dividend was paid or declared by the Company or other members of the Group during the Reporting Period.

FINANCIAL SUMMARY

The Company's Shares were listed on the Stock Exchange on July 5, 2021. A summary of the published results and of the assets, liabilities and equity of the Group for the last three financial years, as extracted from the published audited financial information and financial statements, is set out on page 5 of this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment.

The Group has established detailed internal rules regarding environmental protection and adopted effective measures to achieve efficient use of resources, waste reduction and energy saving. For further details of the Group's environmental policies and performance, please refer to the environmental, social and governance report of the Company for the Reporting Period set out on pages 86 to 119, which has been prepared in accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules.

DIRECTORS

From the Listing Date to the Latest Practicable Date, the Board consists of the following nine Directors:

Executive Directors

Dr. Jonathon Zhong Zhao *(Chairman)*
Mr. Yang Xie
Dr. Zheng Li

Non-executive Directors

Mr. Stephen Hui Wang
Dr. Hai Lu
Dr. Steven Dasong Wang

Independent Non-executive Directors

Dr. Jian Ji
Mr. Hongze Liang
Ms. Yun Qiu

SUPERVISORY COMMITTEE

From the Listing Date to the Latest Practicable Date, the Company has the following three Supervisors:

Ms. Jie Liang *(Chairlady)*
Mr. Chunhui Men
Ms. Hongbo Wang

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 37 to 43 in the section headed "Directors, Supervisors and Senior Management" of this report. Save as disclosed in this report, the Directors, Supervisors and senior management of our Group do not have financial, business, family or other material/relevant relationships with one another.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, as at the date of this report, all of the independent non-executive Directors are independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Our Directors entered into service contracts with the Company. The principal particulars of these service contracts comprise (a) a term of three years, which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Each of our Supervisors entered into a contract with the Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contract with the Company or any of its subsidiaries. No Director or Supervisor has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than normal statutory obligation).

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Pursuant to Rule 3.25 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on the experience, qualification, position and seniority of each Director, Supervisors and senior management. As for the independent non-executive Directors, their remuneration is determined by the Board based on the recommendation from the Remuneration Committee. The Directors, Supervisors and the senior management are eligible participants of the applicable share incentive plans.

Details of the remuneration of the Directors, Supervisors, senior management and the five highest paid individuals are set out in Note 35 to the Consolidated Financial Statements of this report.

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

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**")) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group since the Listing Date.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or Supervisor nor an entity connected with him/her had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

Save for the Directors' and Supervisors' service contracts and appointment letters, no contract of significance concerning the management and administration of the whole or any substantial part of business of the Company or any of its subsidiaries was entered into or subsisted during the Reporting Period.

DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

As at the end of the Reporting Period, other than the Pre-IPO Share Option Scheme, none of the Directors, Supervisors or their respective spouses or minor children under the age of 18 years were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing Shares or debentures of the Company. No member of the Group was a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under the age of 18 years to acquire such rights from any other body corporates.

During the Reporting Period, the Company did not grant any rights to acquire benefits by means of the acquisition of Shares or debentures of the Company to any Directors or Supervisors or their respective spouses or minor children under 18, and none of them has exercised such rights.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

During the Relevant Period and up to the Latest Practicable Date, none of the Directors and Supervisors or their respective close associates (as defined in the Listing Rules) is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

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

As at December 31, 2021, the interests or short positions of the Directors and chief executives' of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name	Position	Nature of Interest	Number and class of Shares held[1]	Approximate percentage of shareholding in the relevant class of Shares[1] (%)	Approximate percentage of shareholding in the total share capital of our Company[1] (%)
Dr. Jonathon Zhong Zhao (趙中)[2]	Executive Director	Beneficial owner	129,000 H Shares (L)	0.10	12.82
			42,494,995[6] Domestic Shares (L)	21.05	
		Interest in controlled corporations	36,370,587 Domestic Shares (L)	18.02	10.94
		Interests held jointly with another person	18,699,337 Domestic Shares (L)	9.26	5.63
Mr. Stephen Hui Wang (王暉)[3]	Non-executive Director	Interest in controlled corporations	9,963,681 H Shares (L)	7.63	8.80
			19,298,911 Domestic Shares (L)	9.56	

Name	Position	Nature of Interest	Number and class of Shares held[1]	Approximate percentage of shareholding in the relevant class of Shares[1] (%)	Approximate percentage of shareholding in the total share capital of our Company[1] (%)
Dr. Zheng Li (李崢)[2][4]	Executive Director	Beneficial owner	239,427[7] Domestic Shares (L)	0.12	0.07
		Deemed interest	4,983,293 Domestic Shares (L)	2.47	1.50
		Interests held jointly with another person	129,000 H Shares (L)	0.10	27.82
			92,342,199 Domestic Shares (L)	45.74	
Mr. Yang Xie (謝陽)[5]	Executive Director	Beneficial owner	167,599[8] Domestic Shares (L)	0.08	0.05
		Interest in controlled corporation	15,834,917 Domestic Shares (L)	7.84	4.76
Ms. Jie Liang (梁婕)	Chairlady of the Supervisory Committee and employee Supervisor	Beneficial owner	179,571[9] Domestic Shares (L)	0.09	0.05
Ms. Hongbo Wang (王宏波)	Employee Supervisor	Beneficial owner	71,828[10] Domestic Shares (L)	0.04	0.02

Notes:

(1) The calculation is based on the total number of 201,881,003 Domestic Shares in issue (without taking into account any Shares to be issued under the Pre-IPO Share Option Scheme) and 130,519,998 H Shares in issue as at December 31, 2021. The letter "L" denotes the shareholder's long position in such Shares.

(2) Pursuant to a concert party agreement dated January 21, 2021 (the "**Concert Parties Agreement I**") entered into by and between, among others, Dr. Jonathon Zhong Zhao (趙中) ("**Dr. Zhao**"), Dr. Shengping Sam Zhong (鍾生平) ("**Dr. Zhong**"), Dr. Zheng Li (李崢) ("**Dr. Li**"), Ms. Na Wei (衛娜) ("**Ms. Wei**"), Zhuhai Tongqiao Investment Center (Limited Partnership) (珠海通橋投資中心(有限合夥)) ("**Zhuhai Tongqiao**"), Hangzhou Fujiang Investment Partnership (Limited Partnership) (杭州涪江投資合夥企業(有限合夥)) ("**Hangzhou Fujiang**"), Zhuhai Guichuang Equity Investment Center (Limited Partnership) (珠海歸創股權投資中心(有限合夥)) ("**Zhuhai Guichuang**"), Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership) (湖州歸橋企業管理合夥企業(有限合夥)) ("**Huzhou Guiqiao**"), WEA Enterprises, LLC ("**WEA**") and Huzhou Yuyihui Investment Partnership (Limited Partnership) (湖州語意慧投資合夥企業(有限合夥)) (formerly known as Nanjing Yuyihui Investment Partnership (Limited Partnership) (南京語意慧投資合夥企業(有限合夥)) ("**Huzhou Yuyihui**") (each, a "**Concert Party**"), the Concert Parties agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders' meetings with effect from the date of the concert party agreement. In the event they fail to reach such consensus, each of the Concert Parties shall exercise their respective voting rights in accordance with instructions of Dr. Zhao. Therefore, under the SFO, in addition to their respective direct shareholding or interest in controlled corporations, each Concert Party is also deemed to be interested in the interest of other Concert Parties.

(3) Pursuant to a concert party agreement dated March 11, 2021 (the "**Concert Parties Agreement II**") entered into by and between, among others, Highlight Medical Limited ("**Highlight Medical**"), Ourea Biotech HK Limited ("**Ourea Biotech**"), Five Investment Limited ("**Five Investment**"), Homehealth Investment Limited ("**Homehealth**"), Ningbo Free Trade Zone Tiesi Equity Investment Partnership (Limited Partnership) ("**Ningbo Tiesi**"), Suzhou Taihong Jinghui Investment Center (Limited Partnership) ("**Taihong Jinghui**") and Ganzhou Titan Equity Investment Partnership (Limited Partnership) ("**Ganzhou Titan**") (together, the "**Honghui Shareholders**"), the Honghui Shareholders agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders' meetings with effect from the date of the concert party agreement. In the event they fail to reach such consensus, each of the Honghui Shareholders shall exercise their respective voting rights in accordance with instructions of Five Investment. Therefore, under the SFO, in addition to their respective direct shareholding, each Honghui Shareholder is also deemed to be interested in the interest of other Honghui Shareholders. All of Five Investment, Highlight Medical and Homehealth are controlled by Highlight Capital Partners I L.P., which was managed by its general partner, Highlight Capital GP I Company Limited, which is in turn controlled by Mr. Stephen Hui Wang (王暉) ("**Mr. Wang**"). Thus, Highlight Capital Partners I L.P., Highlight Capital GP I Company Limited and Mr. Wang are deemed to be interested in the interest of Five Investment, Highlight Medical and Homehealth. Ourea Biotech is held by HL Partners II L.P., which is managed by HL GP II Company Limited, which is in turn controlled by Mr. Wang. Therefore, HL Partners II L.P., HL GP II Company Limited and Mr. Wang are deemed to be interested in the interest of Ourea Biotech. Ningbo Tiesi and Ganzhou Titan are both managed by their general partner, Shanghai Hehong Jinghui Equity Investment Management Co., Ltd. (上海合弘景輝股權投資管理有限公司) ("**Hehong Jinghui**"), which is controlled by Mr. Wang, Thus, Hehong Jinghui and Mr. Wang are deemed to be interested in the interest of Ningbo Tiesi and Ganzhou Titan. Taihong Jinghui is managed by its general partner, Suzhou Yuhui Equity Investment Management Partnership (Limited Partnership) (蘇州煜暉股權投資管理合夥企業(有限合夥)) ("**Suzhou Yuhui**"), which is in turn managed by its general partner, Jiangsu Highlight Equity Investment Management Co., Ltd. (江蘇弘輝股權投資管理有限公司) ("**Jiangsu Highlight**"), which is controlled by Mr. Wang. Therefore, Suzhou Yuhui, Jiangsu Highlight and Mr. Wang are deemed to be interested in the interest of Taihong Jinghui.

(4) Ms. Wei, being the general partner of Huzhou Yuyihui, controls Huzhou Yuyihui, which holds 4,983,293 Domestic Shares of our Company. Dr. Li and Ms. Wei are spouses and therefore, under the SFO, Dr. Li and Ms. Wei are deemed to be interested in 4,983,293 Domestic Shares of our Company through Huzhou Yuyihui.

(5) Mr. Yang Xie (謝陽) ("**Mr. Xie**") was granted 36.36% of economic interest in Zhuhai Tongqiao and 46.02% economic interest in Hangzhou Fujiang, both being the Employee Incentive Platforms, and therefore, under the SFO, Mr. Xie is deemed to be interested in 10,151,978 Domestic Shares through Zhuhai Tongqiao and 5,682,939 Domestic Shares through Hangzhou Fujiang.

(6) This includes (i) 41,441,991 Domestic Shares beneficially held by Dr. Zhao, and (ii) Dr. Zhao's entitlement to receive up to 1,053,004 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

(7) Dr. Li is entitled to receive up to 239,427 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

(8) Mr. Xie is entitled to receive up to 167,599 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

(9) Ms. Jie Liang (梁婕) is entitled to receive up to 179,571 Domestic Shares pursuant to the options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

(10) Ms. Hongbo Wang (王宏波) is entitled to receive up to 71,828 Domestic Shares pursuant to the options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

Save as disclosed above, as at December 31, 2021, none of the Directors, Supervisors and chief executives of the Company had or was deemed to have any interests or short positions 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 were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 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 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

To the best knowledge of the Company based on the public information, as at December 31, 2021, the interests or short positions of the following persons (other than the Directors, Supervisors and chief executives of the Company) in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which any such persons other than the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions 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 were as follows:

Name of Shareholder	Nature of Interest	Number and class of Shares held[1]	Approximate percentage of shareholding in the relevant class of Shares[1] (%)	Approximate percentage of shareholding in the total share capital of our Company[1] (%)
Dr. Shengping Sam Zhong (鍾生平)[2][3]	Interest in controlled Corporations	13,476,617 Domestic Shares (L)	6.68	4.05
	Interests held jointly with another person	129,000 H Shares (L)	0.10	25.34
		84,088,302 Domestic Shares (L)	41.65	
WEA Enterprises, LLC[2][3]	Beneficial owner	13,476,617 Domestic Shares (L)	6.68	4.05
	Interests held jointly with another person	129,000 H Shares (L)	0.10	25.34
		84,088,302 Domestic Shares (L)	41.65	
Ms. Na Wei (衛娜)[2][4]	Interest in controlled corporations	4,983,293 Domestic Shares (L)	2.47	1.50
	Deemed interest	239,427 Domestic Shares (L)	0.12	0.07
	Interests held jointly with another person	129,000 H Shares (L)	0.10	27.82
		92,342,199 Domestic Shares (L)	45.74	
Huzhou Yuyihui Investment Partnership (Limited Partnership) (³ È 語意慧投資合夥企業(有限合夥))[2][4]	Beneficial owner	4,983,293 Domestic Shares (L)	2.47	1.50
	Interests held jointly with another person	129,000 H Shares (L)	0.10	27.89
		92,581,626 Domestic Shares (L)	45.86	

Name of Shareholder	Nature of Interest	Number and class of Shares held[1]	Approximate percentage of shareholding in the relevant class of Shares[1] (%)	Approximate percentage of shareholding in the total share capital of our Company[1] (%)
Zhuhai Tongqiao Investment Centre (Limited Partnership) (珠海通橋投資中心(有限合夥))[2]	Beneficial owner	10,151,978 Domestic Shares (L)	5.03	3.05
	Interests held jointly with another person	129,000 H Shares (L)	0.10	26.34
		87,412,941 Domestic Shares (L)	43.30	
Hangzhou Fujiang Investment Partnership (Limited Partnership) (杭州涪江投資合夥企業(有限合夥))[2]	Beneficial owner	5,682,939 Domestic Shares (L)	2.81	1.71
	Interests held jointly with another person	129,000 H Shares (L)	0.10	27.68
		91,881,980 Domestic Shares (L)	45.51	
Zhuhai Guichuang Equity Investment Centre (Limited Partnership) (珠海歸創股權投資中心(有限合夥))[2]	Beneficial owner	10,958,575 Domestic Shares (L)	5.43	3.30
	Interests held jointly with another person	129,000 H Shares (L)	0.10	26.09
		86,606,344 Domestic Shares (L)	42.90	
Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership) (湖州歸橋企業管理合夥企業(有限合夥))[2]	Beneficial owner	9,577,095 Domestic Shares (L)	4.74	2.88
	Interests held jointly with another person	129,000 H Shares (L)	0.10	26.51
		87,987,824 Domestic Shares (L)	43.58	
Highlight Medical Limited[5]	Beneficial owner	6,263,113 H Shares (L)	4.80	1.88
	Interests held jointly with another person	3,700,568 H Shares (L)	2.84	6.92
		19,298,911 Domestic Shares (L)	9.56	
Ourea Biotech HK Limited[5]	Beneficial owner	2,565,219 H Shares (L)	1.97	1.74
		3,227,100 Domestic Shares (L)	1.60	
	Interests held jointly with another person	7,398,462 H Shares (L)	5.67	7.06
		16,071,811 Domestic Shares (L)	7.96	
Homehealth Investment Limited[5]	Beneficial owner	1,135,349 H Shares (L)	0.87	0.34
	Interests held jointly with another person	8,828,332 H Shares (L)	6.76	8.46
		19,298,911 Domestic Shares (L)	9.56	

Name of Shareholder	Nature of Interest	Number and class of Shares held[1]	Approximate percentage of shareholding in the relevant class of Shares[1] (%)	Approximate percentage of shareholding in the total share capital of our Company[1] (%)
Five Investment Limited[5]	Beneficial owner	9,227,691 Domestic Shares (L)	4.57	2.78
	Interests held jointly with another person	9,963,681 H Shares (L)	7.63	6.03
		10,071,220 Domestic Shares (L)	4.99	
Ningbo Free Trade Zone Tiesi Equity Investment Partnership (Limited Partnership) (寧波保税區帖斯以股權投資合夥企業(有限合夥))[5]	Beneficial owner	2,927,696 Domestic Shares (L)	1.45	0.88
	Interests held jointly with another person	9,963,681 H Shares (L)	7.63	7.92
		16,371,215 Domestic Shares (L)	8.11	
Suzhou Taihong Jinghui Investment Center (Limited Partnership) (蘇州泰弘景暉投資中心(有限合夥))[5]	Beneficial owner	2,609,614 Domestic Shares (L)	1.29	0.79
	Interests held jointly with another person	9,963,681 H Shares (L)	7.63	8.02
		16,689,297 Domestic Shares (L)	8.27	
Ganzhou Titan Equity Investment Partnership (Limited Partnership) (贛州提坦股權投資合夥企業(有限合夥))[5]	Beneficial owner	1,306,810 Domestic Shares (L)	0.65	0.39
	Interests held jointly with another person	9,963,681 H Shares (L)	7.63	8.41
		17,992,101 Domestic Shares (L)	8.91	
OAP IV (HK) Limited[6]	Beneficial owner	25,335,535 H Shares (L)	19.41	7.62
Future Industry Investment Fund (Limited Partnership) (先進製造產業投資基金(有限合夥))[7]	Beneficial owner	20,470,199 Domestic Shares (L)	10.14	6.16
Lake Bleu Capital (Hong Kong) Limited[8]	Interest in controlled corporations	17,114,491 H Shares (L)	13.11	5.15
AIHC Master Fund[9]	Beneficial Owner	13,342,796 H Shares (L)	10.22	5.27
		4,162,946 Domestic Shares (L)	2.06	
Schroders Plc	Investment manager	20,038,500 H Shares (L)	15.35	6.03
Schroder International Selection Fund-Greater China Fund	Beneficial owner	9,003,500 H Shares (L)	6.90	2.71

Notes:

(1) The calculation is based on the total number of 201,881,003 Domestic Shares in issue (without taking into account any Shares to be issued under the Pre-IPO Share Option Scheme) and 130,519,998 H Shares in issue as at December 31, 2021. The letter "L" denotes the shareholder's long position in such Shares.

(2) Pursuant to the Concert Parties Agreement I, the Concert Parties agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders' meetings with effect from the date of the concert party agreement. In the event they fail to reach such consensus, each of the Concert Parties shall exercise their respective voting rights in accordance with instructions of Dr. Zhao. Therefore, under the SFO, in addition to their respective direct shareholding or interest in controlled corporations, each Concert Party including among others, Dr. Zhong, WEA, Ms. Wei, Huzhou Yuyihui, Zhuhai Tongqiao, Hangzhou Fujiang, Zhuhai Guichuang and Huzhou Guiqiao, are also deemed to be interested in the interest of other Concert Parties.

(3) Dr. Zhong holds 100% of the equity interests in WEA, which holds 13,476,617 Domestic Shares of our Company (without taking into account any Shares to be issued under the Pre-IPO Share Option Scheme). Therefore, under the SFO, Dr. Zhong is deemed to be interested in 13,476,617 Domestic Shares of our Company through WEA.

(4) Ms. Wei, being the sole general partner of Huzhou Yuyihui, controls Huzhou Yuyihui, which holds 4,983,293 Domestic Shares of our Company (without taking into account any Shares to be issued under the Pre-IPO Share Option Scheme). Dr. Li and Ms. Wei are spouses and therefore, under the SFO, Dr. Li and Ms. Wei are deemed to be interested in 4,983,293 Domestic Shares of our Company through Huzhou Yuyihui, and Ms. Wei is also deemed to be interest in the entitlement of Dr. Li to receive up to 239,427 Domestic Shares pursuant to the options granted to Dr. Li under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

(5) Pursuant to the Concert Parties Agreement II, the Honghui Shareholders agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders' meetings with effect from the date of the concert party agreement. In the event they fail to reach such consensus, each of the Honghui Shareholders shall exercise their respective voting rights in accordance with instructions of Five Investment. Therefore, under the SFO, in addition to their respective direct shareholding, each Honghui Shareholder is also deemed to be interested in the interest of other Honghui Shareholders. All of Five Investment, Highlight Medical and Homehealth are controlled by Highlight Capital Partners I L.P., which was managed by its general partner, Highlight Capital GP I Company Limited, which is in turn controlled by Mr. Wang. Thus, Highlight Capital Partners I L.P., Highlight Capital GP I Company Limited and Mr. Wang are deemed to be interested in the interest of Five Investment, Highlight Medical and Homehealth. Ourea Biotech is held by HL Partners II L.P., which is managed by HL GP II Company Limited, which is in turn controlled by Mr. Wang. Therefore, HL Partners II L.P., HL GP II Company Limited and Mr. Wang are deemed to be interested in the interest of Ourea Biotech. Ningbo Tiesi and Ganzhou Titan are both managed by their general partner, Hehong Jinghui, which is controlled by Mr. Wang, Thus, Hehong Jinghui and Mr. Wang are deemed to be interested in the interest of Ningbo Tiesi and Ganzhou Titan. Taihong Jinghui is managed by its general partner, Suzhou Yuhui, which is in turn managed by its general partner, Jiangsu Highlight, which is controlled by Mr. Wang. Therefore, Suzhou Yuhui, Jiangsu Highlight and Mr. Wang are deemed to be interested in the interest of Taihong Jinghui.

(6) OAP IV (HK) Limited ("**OAP**") is wholly-owned by OrbiMed Asia Partners IV, L.P., which was managed by OrbiMed Asia GP IV L.P., which was in turn managed by OrbiMed Advisors IV Limited, a company jointly controlled by David Guowei Wang, Sunny Sharma, Sven H. Borho, William Carter Neild, Jonathan T. Silverstein and Carl L. Gordon. Therefore, OrbiMed Asia Partners IV, L.P., OrbiMed Asia GP IV L.P., OrbiMed Advisors IV Limited, David Guowei Wang, Sunny Sharma, Sven H. Borho, William Carter Neild, Jonathan T. Silverstein and Carl L. Gordon are deemed to be interested in the interest of OAP under the SFO.

(7) Future Industry Investment Fund (Limited Partnership) ("**FIIF**") was managed by its general partner SDIC Fund Management Co., Ltd. (國投創新投資管理有限公司), which was held as to 40% by China State Investment High-Tech Industrial Investment Co., Ltd. (中國國投高新產業投資有限公司), which in turn was controlled by State Development and Investment Corporation (國家開發投資集團有限公司). Therefore, SDIC Fund Management Co., Ltd., China State Investment High-Tech Industrial Investment Co., Ltd. and State Development and Investment Corporation are deemed to be interested in the interest of FIIF under the SFO.

(8) Lake Bleu Capital (Hong Kong) Limited ("**LBC Capital**") manages both Lake Bleu Prime Healthcare Master Fund Limited ("**Lake Bleu Prime**") and LBC Sunshine Healthcare Fund II L.P. ("**LBC Sunshine**") as a fund manager. LBC Sunshine is an existing Shareholder of the Company and holds 11,353,491 H Shares as at December 31, 2021. Lake Bleu Prime is a cornerstone investor of the Company and subscribed for 3,763,000 H Shares based on the Offer Price of HK$41.25 (being the mid-point of the Offer Price range) in the Global Offering. Lake Bleu Prime holds 5,761,000 H Shares as at December 31, 2021. LBC Capital is controlled by Mr. Bin Li. Therefore, Mr. Bin Li is deemed to be interested in the 17,114,491 H Shares held by LBC Capital under the SFO.

(9) AIHC Master Fund ("**AIHC**") is an existing Shareholder and a cornerstone investor of the Company, and holds (i) 13,342,796 H Shares and (ii) 4,162,946 Domestic Shares as at December 31, 2021. AIHC is wholly-owned by AIH Capital Group Limited, which is in turn wholly-owned by Wei Zhang. Therefore, AIH Capital Group Limited and Wei Zhang are deemed to be interested in the 13,342,796 H Shares and 4,162,946 Domestic Shares held by AIHC under the SFO.

Save as disclosed above, as at December 31, 2021 (upon the completion of the full exercise of the Overallotment Option), no person (other than the Directors, Supervisor and chief executives of the Company) had or was deemed to have any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified the Company or the Hong Kong Stock Exchange pursuant to 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.

SINGLE LARGEST GROUP OF SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS

At no time during the Reporting Period had the Company or any of its subsidiaries, and the single largest group of shareholders of the Company entered into any contract of significance or any contract of significance for the provision of services by the single largest group of shareholders to the Company or any of its subsidiaries.

SHARE INCENTIVE SCHEMES

Employee Incentive Schemes

The following is a summary of the principal terms of the Employee Incentive Schemes approved and adopted by our Board on July 15, 2016, February 24, 2017, June 17, 2020, and January 18, 2021, respectively, and as amended from time to time (collectively, the "**EI Schemes**"). The terms of the EI Schemes are not subject to the provisions of Chapter 17 of the Listing Rules. Given the underlying Shares under the EI Schemes had already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the awards under the EI Schemes.

As at December 31, 2021, the Company had established four Employee Incentive Platforms, namely Hangzhou Fujiang, Zhuhai Guichuang, Zhuhai Tongqiao and Huzhou Guiqiao. The four Employee Incentive Platforms, in aggregate, held 36,370,587 Domestic Shares.

The following is a summary of the principal terms of the EI Schemes.

1. Summary of terms

(a) Objectives

The purpose of the EI Schemes is to build an incentive mechanism for the core employees of our Company, raising the competitiveness of our Company in the labour market. The EI Schemes also serve the purpose of attracting, stabilizing and recruiting future senior management.

(b) Eligibility

Pursuant to the scheme documents (the "**Scheme Documents**") and the award agreements (the "**Award Agreements**"), participants of the EI Schemes include our Company's core employees and senior management members. The Award Agreements further provided that the following employees may not be selected as participants to the EI Schemes (as applicable):

- Employees who are forbidden to hold the position of director, supervisor or senior management pursuant to the PRC Company Law;
- Employees who have been convicted of crime or in violation of administrative law;
- Employees who have received disciplinary actions due to violation of our Company's management policies;
- Employees who have been listed on the discredited list (失信名單); and
- Employees who are otherwise not eligible according to the terms of our Company's Articles or as determined by the Board.

(c) Grant of Awards

The general partner of Zhuhai Guichuang, Zhuhai Tongqiao and Huzhou Guiqiao is Dr. Zhao. The general partner of Hangzhou Fujiang is Huzhou Lanshan Enterprise Management Partnership (Limited Partnership) (湖州闌珊企業管理合夥企業(有限合夥)) ("**Huzhou Lanshan**") and the general partner of Huzhou Lanshan is Dr. Zhao. Thus, in effect, all management powers and voting rights of the Employee Incentive Platforms reside with the general partner, Dr. Zhao.

All selected participants do not have any voting rights in our Company. The selected participants will be granted awards in the form of economic interest in the Employee Incentive Platforms conditional upon certain vesting conditions as specified in each Award Agreement and upon vesting, such selected participants will become a limited partner of the relevant Employee Incentive Platform. Upon becoming the limited partner of the Employee Incentive Platforms, the selected participants indirectly receive economic interest in the corresponding number of underlying Shares held by the Employee Incentive Platforms.

(d) Administration of the EI Schemes

Our Board (or Dr. Zhao, in the case of Huzhou Guiqiao) retain full discretion over the following matters of the EI Schemes:

- the selection of participants in the EI Schemes, which currently include Directors, core employees and senior management members of our Group; and
- the amount of consideration to be paid for the incentive award in the form of acquisition of economic interest in the Employee Incentive Platforms as a limited partner.

2. *Details of the awards granted under the EI Schemes*

During the Relevant Period, no further awards were granted. Movements of the outstanding Awards under the EI Schemes during the year ended December 31, 2021 are set out below:

Details of the awards granted under the EI Schemes

Name of Director or Supervisor	Relevant Employee Incentive Platforms	Date of grant of Awards	Number of Shares Underlying the Awards outstanding as at January 1, 2021	Number of Shares Underlying the Awards during the Reporting Period			Number of Shares Underlying the Awards outstanding as at December 31, 2021
				Granted during the Reporting Period	Forfeited during the Reporting Period	Vested during the Reporting Period	
1. Connected Person							
Mr. Yang Xie (謝陽)	Zhuhai Guichuang	August 1, 2020	913,215	0	0	0	913,215
Dr. Zheng Li (李崢)	Zhuhai Tongqiao	February 27, 2017	1,616,093	0	0	0	1,616,093
	Zhuhai Guichuang	August 1, 2020	876,686	0	0	0	876,686
Ms. Jie Liang (梁婕)	Zhuhai Tongqiao	February 27, 2017	43,755	0	0	0	43,755
	Zhuhai Guichuang	August 1, 2020	365,286	0	0	0	365,286
Ms. Wang Hongbo (王宏波)	Zhuhai Guichuang	August 1, 2020	127,854	0	0	0	127,854
2. Other employees	Zhuhai Tongqiao	February 27, 2017	1,104,433	0	27,410	0	1,077,023
	Zhuhai Tongqiao	August 1, 2020	136,981	0	0	0	136,981
	Hangzhou Fujiang	August 1, 2020	348,408	0	96,780	0	251,628
	Zhuhai Guichuang	August 1, 2020	7,897,349	0	607,164	20,997	7,269,188

Note:

The outstanding Awards disclosed above shall generally have a vesting period from 2021 to 2023 and may be subject to other vesting conditions.

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted and approved by resolutions in writing by the Board on January 18, 2021. The purpose of the Scheme is to strengthen the human resources management of our Company by providing a means through which the Company may grant equity-based incentives to attract and retain skilled management, R&D, business and marketing personnel in order to raise the competitiveness of our Company. All Shares to be issued under the Pre-IPO Share Option Scheme are Domestic Shares of our Company. The Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it will not involve the grant of options by us after the Listing.

The following is a summary of the principal terms of the Scheme.

1. Summary of terms

(a) Duration

Subject to the termination provisions under the Scheme, the Scheme shall be valid and effective for the period of 10 years commencing on the adoption date; or when all options have been exercised or lapse pursuant to the Scheme, whichever is the earlier. Therefore, as at December 31, 2021, the remaining life of the Pre-IPO Option Scheme was approximately nine years.

(b) Administration

The Scheme shall be subject to the administration of Dr. Jonathon Zhong Zhao (the "**Administrator**") and the supervision of the Supervisors of our Company. The Administrator shall have the right to (i) request for Board approval regarding the implementation, amendment and termination of the Scheme; (ii) report to the Board the method of selecting participants, the actual participants selected and the number and exercise price of the options granted; (iii) the interpretation of the Scheme; and (iv) other administrative matters in relation to the Scheme.

(c) Award Agreement

Each award granted under the Scheme shall be evidenced by an award agreement between the Company and the participant, the form of which shall be approved by the Administrator.

(d) Type of Award

Subject to the Scheme, the Administrator shall be entitled to award any eligible participant to take up options in respect of such number of Shares as the Administrator may determine and at the exercise price as disclosed under the award agreement. Any exercisable option will be deemed to be exercised when (a) the Company has received the written notice required pursuant to the Scheme; and (b) the Company has received the required payment made in accordance with the Scheme.

(e) Payment

The exercise price for the options to be granted under the Scheme is RMB2.13 per Share. The consideration to be paid, including the method of payment, shall be subject to the provisions in the Scheme. No consideration is payable upon the grant of options under the Scheme

(f) Exercise Price Adjustment

The exercise price for the options granted under the Scheme is subject to adjustment under the following circumstances: (i) there are changes to the registered share capital of the Company due to the conversion of capital reserve to registered capital; (ii) the Company distributes dividend in cash or stock dividend; or (iii) there has been share subdivision, capital reduction or share allotment.

(g) Participants of the Scheme

Eligible participants of the Scheme include senior management members, core technician or other employee (excluding the Company's independent non-executive Director) as determined by the Board or the Administrator. The Administrator has the discretion to determine the eligibility of an employee to participate in the Scheme depending on Company's need to attract talent and reward employees who have made substantial contribution to the Company and other factors such as the change of title of the employee, resignation or injury or death of the employee.

(h) Period Between the Granting of Award and the Exercise of Award

The grantee may exercise the option between the date of granting the relevant award and the earliest date the grantee is entitled to exercise the option as specified in each award agreement.

(i) Lock-Up Period

Subject to the provisions of the Scheme, the PRC Company Law, the Company's Articles of Association, and rules and regulations in relation to lock-up period in the jurisdiction where the Company's Shares are listed in:

1. For grantees who are the Directors, Supervisors or senior management members of the Company, they are not allowed to transfer Shares representing more than 25% of their equity interest held in the Company during the period of their employment, and they are not allowed to transfer the Shares held within the half year period immediately following the termination of their employment.

2. To avoid conflict of interest and insider trading, apart from the rules and regulations aforementioned, all grantees shall abide by the Company's internal regulations in relation to lock-up period after the vesting of the options.

(j) Non-transferability of Awards

Unless expressly provided in the Scheme, by applicable law and by the applicable award agreement, all awards are non-transferable and shall not be used as a form of guarantee or as a repayment of debt.

(k) Maximum Number of Options be Granted

The maximum number of options that may be granted pursuant to the Scheme shall not exceed RMB4,788,547 equivalent of registered share capital of our Company, representing 4,788,547 Domestic Shares of the Company.

(I) Change in Control

Despite a change in control, amalgamation or separation of our Company, there shall not be any amendments to the options already granted, and the award participants may not accelerate the exercise of their options.

2. *Options Granted*

As at December 31, 2021, share options have been granted to 22 grantees, including 3 Directors, 2 Supervisors and 17 other employees of our Group (who were granted options to subscribe for 1,460,030 Shares, 251,399 Shares and 3,077,118 Shares, respectively), to subscribe for an aggregate of 4,788,547 Shares. As at the Latest Practicable Date, the total number of securities available for issue under the Pre-IPO Share Option Scheme is 4,692,777, representing approximately 1.41% of the total issued share capital of our Company. In relation to the fair value of the options granted under the Pre-IPO Share Option Scheme, please refer to Note 25 to the Consolidated Financial Statements in this report.

Below is a list of Directors and Supervisors of our Group who are grantees of the options under the Pre-IPO Share Option Scheme, and the number of the underlying Shares of their respective options. No option under the Pre-IPO Share Option Scheme has been granted to other connected persons of our Group.

Name of Director or Supervisor	Date of Grant [Note 1]	Granted during the year	Exercised during the year	Canceled during the year	Lapsed during the year	Outstanding as at December 31, 2021	Exercise Price per Option (RMB)	Vesting Period (subject to other conditions in the Pre-IPO Share Option Scheme)
Dr. Jonathon Zhong Zhao (趙中)	June 10, 2021	1,053,004	0	0	0	1,053,004	2.13	• 30% of which is expected to be vested on December 1, 2021 • 30% of which is expected to be vested on December 1, 2022 • 40% of which is expected to be vested on December 3, 2023
Mr. Yang Xie (謝陽)	June 10, 2021	167,599	0	0	0	167,599	2.13	• 30% of which is expected to be vested on December 1, 2021 • 30% of which is expected to be vested on December 1, 2022 • 40% of which is expected to be vested on December 3, 2023
Dr. Zheng Li (李崢)	June 10, 2021	239,427	0	0	0	239,427	2.13	• 30% of which is expected to be vested on December 1, 2021 • 30% of which is expected to be vested on December 1, 2022 • 40% of which is expected to be vested on December 3, 2023
Ms. Jie Liang (梁婕)	June 10, 2021	179,571	0	0	0	179,571	2.13	• 30% of which is expected to be vested on December 1, 2021 • 30% of which is expected to be vested on December 1, 2022 • 40% of which is expected to be vested on December 3, 2023

Name of Director or Supervisor	Date of Grant [Note 1]	Granted during the year	Exercised during the year	Canceled during the year	Lapsed during the year	Outstanding as at December 31, 2021	Exercise Price per Option (RMB)	Vesting Period (subject to other conditions in the Pre-IPO Share Option Scheme)
Ms. Hongbo Wang (王宏波)	June 10, 2021	71,828	0	0	0	71,828	2.13	• 30% of which is expected to be vested on December 1, 2021 • 30% of which is expected to be vested on December 1, 2022 • 40% of which is expected to be vested on December 3, 2023

Note: Shares of the Company were not yet listed on the Stock Exchange when these optiones were granted.

Below sets out the details in relation to the employees of our Group who are grantees of the options under the Pre-IPO Share Option Scheme, and the aggregate number of the underlying Shares of their respective options.

Grantees	Date of Grant [Note 1]	Granted during the year	Exercised during the year	Canceled during the year	Lapsed during the year	Outstanding as at December 31, 2021	Exercise Price per Option (RMB)	Vesting Period (subject to other conditions in the Pre-IPO Share Option Scheme)
Employees	June 10, 2021	3,077,118	0	95,770	0	2,981,348	2.13	• 30% of which is expected to be vested on December 1, 2021 • 30% of which is expected to be vested on December 1, 2022 • 40% of which is expected to be vested on December 3, 2023

Note:

(1) Shares of the Company were not yet listed on the Stock Exchange when these optiones were granted.

(2) Such options can be exercised during the period from the date on which relevant conditions are satisifed and relevent notice have been issued by the Company to the expiry of the Pre-IPO Share Option Scheme.

2021 H Share Award and Trust Scheme

The Board has resolved at a meeting of the Board held on August 30, 2021, to propose the adoption of the 2021 H Share Award and Trust Scheme (the "**H Share Scheme**"). The H Share Scheme has been approved by the Shareholders at the extraordinary general meeting held on September 23, 2021. The H Share Scheme does not constitute a share option scheme or an arrangement similar to a share option scheme as defined and regulated under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. Capitalized terms used in this section shall have the same meanings as those defined in the circular of the Company dated September 7, 2021.

The following is a summary of the principal terms of the H Share Scheme:

1. Summary of terms

(a) Purpose and Objectives of the H Share Scheme

The H Share Scheme is a share award of H Shares and trust scheme established by the Company to award Selected Employees and the objectives of the H Share Scheme are:

i. to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company;

ii. to deepen the reform on the Company's remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and

iii. to (i) recognize the contributions of the leadership of the Company including the Directors; (ii) attract, encourage, motivate and retain the key personnel of the Company whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for long standing employee by aligning the interests of such personnel of the Company to those of the Shareholders and the Group as a whole.

(b) Selected Employees of the H Share Scheme

Eligible Participant who may participate in the H Share Scheme include any full-time PRC or non-PRC employee of any members of the Group, who is a Director, supervisor, senior management, key operating team member, employee, or, a consultant of the Group.

The Board or the Delegatee may, from time to time, select any Eligible Participant to be a Selected Employee and grant such number of Awarded Shares to any Selected Employee at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

(c) H Share Scheme Limit

Subject to the H Share Scheme Rules, the H Share Scheme Limit shall be the maximum number of H Shares that will be acquired by the Trustee from time to time, and in any case being not more than 9,972,000 H Shares, representing approximately 3.00% of the issued shares capital of the Company as at the Latest Practicable Date. The Company shall not make any further grant of Award which will result in the aggregate number of H Shares underlying all grants made pursuant to the H Share Scheme (excluding Awarded Shares that have been forfeited in accordance with the H Share Scheme) to exceed the H Share Scheme Limit without Shareholders' approval.

Save as stated above, the maximum number of non-vested Awarded Shares granted to a Selected Employee under the H Share Scheme shall not exceed one per cent of the issued share capital of the Company from time to time in any 12-month period.

(d) Duration

Unless terminated earlier by the Board pursuant to the H Share Scheme Rules, the H Share Scheme shall be valid and effective for ten years commencing from the Adoption Date, i.e. the date on which the H Share Scheme is approved by the Shareholders at the EGM. Therefore, as at December 31, 2021, the remaining life of the H Share Scheme was approximately nine years and eight months.

(e) Grant of Awards

The Board or the Delegatee is entitled to impose any conditions (including a period of continued service within the Group after the Award), as it deems appropriate in its absolute discretion with respect to the vesting of the Awarded Shares on the Selected Employee, and shall inform the Trustee and such Selected Employee the relevant conditions of the Award and the Awarded Shares. Subject to applicable laws and regulations, the Board or the Delegatee shall be at liberty to waive any vesting conditions.

(f) Vesting of the Awarded Shares

Subject to the terms and condition of the H Share Scheme and the fulfillment of all vesting conditions to the vesting of the Awarded Shares on such Selected Employee as specified in the H Share Scheme and the Grant Notice, the respective Awarded Shares held by the Trustee on behalf of the Selected Employee pursuant to the provision hereof shall vest in such Selected Employee in accordance with the vesting schedule (if any) as set out in the Grant Notice, and the Trustee shall cause the Awarded Shares to be transferred to such Selected Employee on the Vesting Date, or sell the relevant Awarded Shares as soon as practicable from the Vesting Date and pay the Actual Selling Price to the Selected Employees within a reasonable time period in satisfaction of the Award.

(g) Source of Funds

The source of funds for funding the H Share Scheme is the internal funds of the Company.

2. Awards Granted

As at the Latest Practicable Date, no Award under the H Share Scheme has been granted.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in Note 30 to the Consolidated financial Statements contained herein.

For the year ended December 31, 2021, none of the related party transactions disclosed in Note 30 to the Consolidated financial Statements constitute any non-exempt connected transactions or continuing connected transactions which should be disclosed pursuant to Chapter 14A of the Listing Rules.

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

RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to this retirement benefits schemes is to make the specified contributions.

Details of the pension obligations of the Company are set out in Notes 2.19 and 8 to the Consolidated Financial Statements in this report. During the Reporting Period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 14 to the Consolidated Financial Statements.

The valuation of the Group's properties was approximately RMB162.2 million as at May 31, 2021, as disclosed in the Prospectus. The additional depreciation that would be charged against the consolidated statement of comprehensive income of the Group had those properties been stated at such valuation would be RMB117,601 for the year ended December 31, 2021.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 23 to the Consolidated Financial Statements in this report.

DISTRIBUTABLE RESERVES

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

USE OF PROCEEDS FROM IPO AND OVER-ALLOTMENT OPTION

The net proceeds from the initial public offering amounted to approximately HK$2,477.4 million. On July 28, 2021, the Company also received net proceeds of HK$347.3 million from the full exercise of the Over-allotment Option. The aforementioned net proceeds amounts were arrived at after deducting the underwriting commissions payable by us in connection with the Global Offering.

The balance of unutilized net proceeds amounted to approximately HK$2,505.4 million as at the end of the Reporting Period and the Company intends to use them in the same manner and proportions as described in the Prospectus. The unutilized amount of net proceeds is expected to be used by December 31, 2025.

As at the end of the Reporting Period, the Group has used the net proceeds as follows:

Intended use of net proceeds	Allocation of net proceeds *HKD in million*	Percentage of total net proceeds	Actual use of proceeds as at the end of the Reporting Period *HKD in million*	Net proceeds Unutilized at the end of the Reporting Period *HKD in million*
(1) Ongoing research and development, production and commercialization of our Core Products, namely Thrombite CRD and Ultrafree DCB	1,045.1	37%	148.5	896.6
(2) Ongoing research and development, production and commercialization of our other five major products, namely our neurovascular embolization coil, flow diverter, retrievable inferiorvena cava filter, peripheral venous stent system and suturemediated closure	310.7	11%	25.2	285.5
(3) Other 38 products and pipeline candidates in order to develop our product portfolio to provide total solution	1,129.9	40%	94.7	1,035.2
(4) Further upgrade our research and development facility, including software and hardware infrastructures in both Hangzhou and Zhuhai, and planned office expansion and upgrade in Zhuhai	84.7	3%	1.8	82.9
(5) Potential strategic acquisition, investments, in-licensing or collaborations	113.0	4%	–	113.0
(6) Working capital and general corporate purposes	141.2	5%	49.1	92.1
Total	2,824.6	100%	319.3	2,505.3

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float under Rule 8.08 of the Listing Rules during the Relevant Period and as at the Latest Practicable Date.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

On August 13, 2021, the Company entered into an agreement with Futu Trustee Limited (the "**Trustee**"), where the Trustee will purchase Shares from the open market and hold on trust for the Selected Employees under the H Share Scheme. As at December 31, 2021, 485,500 Shares in the amount of RMB9,149,128 had been purchased at average price of HK$23.05 per share.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of the PRC which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

TAX RELIEF AND EXEMPTION

The holders of H Shares of the Company shall pay relevant tax and/or enjoy tax relief and exemption in accordance with the following provisions:

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法》) and its implementation rules, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For an individual who has no domicile in the PRC and is not resident in the territory of the PRC or who has no domicile in the PRC and has been resident in the territory of the PRC for less than 183 days cumulatively within a tax year, his/her receipt of dividends from a PRC company is normally subject to a PRC withholding tax of 20% unless specifically exempted or reduced by an applicable tax treaty and other tax laws and regulations.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Holders of H Shares who are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》(國税函[2008]897號)), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall withhold the enterprise income tax at a flat rate of 10%. A non-PRC resident enterprise which is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, directly or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

BANK BORROWINGS

As at December 31, 2021, we did not have any bank borrowings.

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS

The Group values long standing relationships with its suppliers and customers. The Group aims at delivering high quality products to its customers and developing mutual trust and enhancing communication and commitment between the Group and its suppliers to maintain sustainable growth.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, our customers are primarily distributors in China and overseas who purchase our products and sell them directly or indirectly to hospitals. The revenue attributable to the Group's five largest customers and the largest customer accounted for 92.8% and 62.9%, respectively, of the Group's total revenue for the Reporting Period.

During the Reporting Period, our suppliers mainly comprised of clinical trial service providers, equipment providers, raw material supplier and manufacturing facilities construction suppliers. Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 32.8% and 12.3%, respectively, of the Group's total purchases for the Reporting Period.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any shareholders of the Company (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for the Reporting Period.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on it. The Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Reporting Period and up to the Latest Practicable Date, the Group had complied with the laws, regulations and regulatory requirements of the places where the Group operates in all material respects, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the CG Code for, among other things, the disclosure of information and corporate governance. During the Reporting Period and up to the Latest Practicable Date, none of the Group and the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible, and none were involved in any other litigation, arbitration or administrative proceedings which would have a material adverse impact on our business, financial condition or results of operations. Please refer to the section headed "Regulatory Overview" in the Prospectus for more details regarding the relevant laws and regulations which have a significant impact on our business operation.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group encourages staff on continued studies by giving subsidy to recognized development courses. The Group also aims to provide competitive and attractive remuneration packages to retain its employees. Management reviews annually the remuneration package offered to the employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations, the Company has adopted the Employee Incentive Schemes, Pre-IPO Share Option Scheme and 2021 H Share Award and Trust Scheme. Details of such schemes are set out in the sub-sections headed "Share Incentive Schemes" in this report.

CHARITABLE DONATIONS

During the Reporting Period, the Company made charitable donations of RMB0.8 million.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

For details of the event after the Reporting Period, please refer to the section headed "Management Discussion and Analysis — Events After the Reporting Period" in this report.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this report.

EQUITY-LINKED AGREEMENT

Save as disclosed in this report, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended December 31, 2021.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Ms. Yun Qiu, Mr. Hongze Liang and Dr. Jian Ji. The chairman of the Audit Committee is Ms. Yun Qiu who holds the appropriate qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has reviewed the audited Consolidated Financial Statements for the year ended December 31, 2021 with the management and the auditor of the Company. The Audit Committee considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

INDEPENDENT AUDITOR

The Consolidated Financial Statements for the Reporting Period have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. Having been approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of PricewaterhouseCoopers as the independent external auditor for the ensuing year will be put to the forthcoming AGM for shareholder's approval.

Since the Listing Date, the auditors of the Company have not changed.

I. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the Supervisory Committee convened a total of three meetings in accordance with relevant laws and regulations and the Articles of Association with respect to notices, convening meeting procedures, voting methods, content of resolutions and other aspects. The details are as follows:

No.	Sessions	Time
1.	The 1st Meeting of the First Session of the Supervisory Committee	March 2, 2021
2.	The 2nd Meeting of the First Session of the Supervisory Committee	March 10, 2021
3.	The 3rd Meeting of the First Session of the Supervisory Committee	August 30, 2021

(I) On March 2, 2021, the Company convened the 1st meeting of the First Session of the Supervisory Committee, at which a total of one resolution was considered and approved, namely, "the Resolution Regarding the Election of the Chairman of the Supervisory Committee".

(II) On March 10, 2021, the Company convened the 2nd meeting of the First Session of the Supervisory Committee, at which a total of two resolutions were considered and approved, namely, "the Resolution Regarding the Company's Engagement of a Listed Auditor" and "the Resolution Regarding the Amendment on the Rules of Procedure of the Supervisory Committee of Zylox-Tonbridge Medical Technology Co., Ltd."

(III) On March 30, 2021, the Company convened the 3rd meeting of the First Session of the Supervisory Committee, at which a total of four resolutions were considered and approved, namely, "the Resolution Regarding the Draft of the Unaudited Consolidated Financial Statements of the Company for the Six Months ended June 30, 2021", "the Resolution Regarding the Audited Financial Statements and Financial Report of the Company for the Six Months ended June 30, 2021", "the Resolution Regarding the Draft of the Interim Results Announcement of the Company for the Six Months ended June 30, 2021" and "the Resolution Regarding the Draft of the Interim Report of the Company for the Six Months ended June 30, 2021".

II. THE SUPERVISORY COMMITTEE'S SUPERVISION AND OPINIONS ON SIGNIFICANT MATTERS

1. The Company's Operations in Compliance with Laws

During the Reporting Period, the Supervisory Committee effectively supervised the convening meeting procedures, resolutions, decision-making procedures of the Board meetings and Shareholders' meetings, the implementation of the resolutions proposed at the Shareholders' meetings by the Board, the performance of duties by the Directors and senior management of the Company, the internal control system of the Company and its legal compliance, the truthfulness, accuracy, completeness and timeliness of the disclosure of relevant information of announcements. The Supervisory Committee also continuously supervised the implementation of major decisions of the Company and the daily performance of duties as well as adequate due diligence of Directors and senior management. The Shareholders' meetings and the Board meetings of the Company exercised powers and performed duties in strict accordance with relevant laws and regulations in the PRC and the Articles of Association, and the decision-making procedures regarding convening, holding, voting and resolutions of the meetings were in compliance with relevant laws and regulations. The Directors and senior management of the Company were able to perform their duties with diligence and commitment in a timely manner. No violation of laws, regulations and the Articles of Association, nor any abuse of power, damage to the interests of Shareholders or damage to the interests of the Company had been found.

2. Financial Condition of the Company

During the Reporting Period, the Supervisory Committee inspected and supervised the Company's financial condition in accordance with laws, and considered that the Company established a sound financial system with standardized financial department and good financial condition. There was no situation that was detrimental to the interests of the Company and its Shareholders. With regard to the annual work report of the Supervisory Committee prepared by the Board, the Supervisory Committee is of the view that the content is true, accurate and complete, and the format and procedures are in compliance with relevant regulations.

The preparation and consideration procedures of the Company's 2021 annual financial report complied with relevant laws and regulations and the Articles of Association. The 2021 annual financial report objectively, truly and accurately reflected the financial condition and operating results of the Company. PricewaterhouseCoopers issued an unqualified audit report of the Company for the year 2021.

3. Implementation of Resolutions at the Company's Shareholders' Meetings

During the Reporting Period, the Supervisory Committee supervised the implementation of the resolutions proposed at the Shareholders' meetings. The Board conscientiously implemented and completed the resolutions approved at the Shareholders' meetings in strict compliance with the resolutions proposed at and authorizations granted by the Shareholders' meetings, and no behaviors were found to be detrimental to the interests of Shareholders.

4. Related Party Transactions of the Company

During the Reporting Period, the Company had no related party transactions that required continuous attention.

5. Supervision of Directors and Senior Management in Performance of Duties

During the Reporting Period, the Supervisory Committee continuously supervised the daily performance of duties and adequate due diligence of the Directors and senior management. During the year, the Directors and senior management performed duties with diligence and operated businesses in accordance with laws. There were no Directors or senior management who took advantages of their positions to seek personal benefits, and no irregularities were found in the performance of their duties. The Directors and senior management have been honest and law-abiding, ensuring the achievement of the Company's objectives and the normal operations of all work.

III. MAJOR TASKS IN 2022

In 2022, the Supervisory Committee will continue to perform duties with diligence, standardized approaches and effectiveness, and strive to achieve new results in promoting the construction of the corporate governance system as well as innovating and improving the internal supervision mechanism. Focusing on risk management, compliant management and internal control construction, the Supervisory Committee will continue to strengthen the supervision of the rectification of internal control defects as well as the inspection and assessment of the effectiveness of risk management, enhance the accountability for major risks, promote the Company to further improve the level of risk management, and effectively safeguard the legitimate rights and interests of all investors of the Company.

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended December 31, 2021 (the "**Corporate Governance Report**").

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as contained in Appendix 14 to the Listing Rules as its own code of corporate governance practices.

The Board is of the view that during the Relevant Period, the Company has complied with all the applicable code provisions as set out in the CG Code, except for the code provision C.2.1 described in the paragraph headed "BOARD OF DIRECTORS — Chairman and Chief Executive Officer". The Board will continue to review and monitor the code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Supervisors and the Group's employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Specific enquiries have been made to all Directors and Supervisors and the Directors and the Supervisors have confirmed that they have complied with the Model Code throughout the Relevant Period.

No incident of non-compliance of the Model Code by the employees was noted by the Company for the Relevant Period.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interest of the Company.

The Board should regularly review 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

During the Relevant Period and up to the Latest Practicable Date, the Board comprised nine Directors, consisting of three executive Directors, three non-executive Directors and three independent non-executive Directors as follows:

Executive Directors

Dr. Jonathon Zhong Zhao *(Chairman)*
Mr. Yang Xie
Dr. Zheng Li

Non-executive Directors

Mr. Stephen Hui Wang
Dr. Hai Lu
Dr. Steven Dasong Wang

Independent Non-executive Directors

Dr. Jian Ji
Mr. Hongze Liang
Ms. Yun Qiu

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Dr. Jonathon Zhong Zhao currently performs these two roles. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above, Dr. Jonathon Zhong Zhao is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Independent Non-executive Directors

During the Relevant Period and up to the Latest Practicable Date, the Board 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 confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The Directors (including non-executive Directors) are appointed for a specific term of three years and are eligible for re-election upon expiry of their term of office in accordance with the Articles of Association of the Company.

Responsibilities of the Directors

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

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

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 Relevant Period, all Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the Relevant Period is summarized as follows:

Directors	Training[Note]
Executive Directors	
Dr. Jonathon Zhong Zhao *(Chairman)*	
Mr. Yang Xie	
Dr. Zheng Li	
Non-executive Directors	
Mr. Stephen Hui Wang	
Dr. Hai Lu	
Dr. Steven Dasong Wang	
Independent Non-executive Directors	
Dr. Jian Ji	
Mr. Hongze Liang	
Ms. Yun Qiu	

Note:

During the Relevant Period, our Company arranged trainings for the Directors related to update and changes in regulatory requirements, business and market environment in a variety of ways from time to time.

Board Diversity Policy

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, 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 our Board.

As at the Latest Practicable Date, we have eight male Directors and one female Director. Currently, the Board has not established a specific target number or date by which to achieve a specific number of women on the Board. However, in recognizing the particular importance of gender diversity so as to further improve our gender diversity at the Board level and workforce, we will endeavor to ensure there is gender diversity when recruiting staff at a mid to senior level so that we will have a pipeline of female employees (including senior management) and potential successors to our Board and engage more resources in training female staff who have extensive and relevant experience in our business, with the aim of promoting them to the senior management or directorship of our Group.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance in addition to industry experience in healthcare and biotechnology. They obtained degrees in various majors including science, engineering and finance. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members and will review the board diversity policy from time to time to ensure its continued effectiveness.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the CG Code, Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Ms. Yun Qiu, Mr. Hongze Liang and Dr. Jian Ji. Ms. Yun Qiu, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The terms of reference of the Audit Committee are in compliance with those set out in the CG Code and the relevant laws and regulations of the PRC.

The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;

- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and
- dealing with other matters that are authorized by the Board.

The Audit Committee held one meeting during the Relevant Period to review the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2021 and discuss matters with respect to the accounting policies and practices adopted by the Company and the internal control and risk management systems.

The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committees Members".

Remuneration Committee

The Remuneration Committee consists of three Directors, namely Dr. Jian Ji, Dr. Jonathon Zhong Zhao and Mr. Hongze Liang. Dr. Jian Ji serves as the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are in compliance with those set out in the CG Code and the relevant laws and regulations of the PRC.

The primary duties of the Remuneration Committee include, but not limited to, the following:

- advising our Board on the overall remuneration plan and structure of Directors, Supervisors and senior management and the establishment of transparent formal procedures for determining remuneration policy of our Company;
- examining the criteria of performance evaluation of Directors, Supervisors and the senior management of our Company, conducting performance evaluation and making recommendations to our Board;
- formulating individual remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the importance of their positions, the time they spend on such positions as well as the remuneration benchmarks for the relevant positions in the other comparable companies;
- dealing with other matters that are authorized by the Board, and if necessary, engaging external experts to provide relevant independent services.

The Remuneration Committee held one meeting during the Relevant Period to review the remuneration policy and structure of the Company including the adoption of the 2021 H Share Award and Trust Scheme.

The attendance records of the Remuneration Committee are set out under "Attendance Record of Directors and Committees Members".

Details of the remuneration of the senior management by band for the year ended December 31, 2021 are set out below:

Remuneration by band (in HKD)	**Year ended December 31, 2021 *(Number of person(s))***	Year ended December 31, 2020 *(Number of person(s))*
2,500,001–3,000,000	**–**	2
3,500,001–4,000,000	**–**	1
7,500,001–8,000,000	**1**	–
10,000,001–10,500,000	**1**	–
11,500,001–12,000,000	**–**	1
12,500,001–13,000,000	**1**	–
13,500,001–14,000,000	**1**	–
19,500,001–20,000,000	**1**	–

Nomination Committee

The Nomination Committee consists of three Directors, namely Dr. Jonathon Zhong Zhao, Ms. Yun Qiu and Dr. Jian Ji. Dr. Jonathon Zhong Zhao serves as the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are in compliance with those set out in the CG Code and the relevant laws and regulations of the PRC.

The primary duties of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to our Board suitable candidates for Directors, general managers and other members of the senior management;
- overseeing the implementation of Board diversity policy; taking into account various factors when determining the composition of our Board, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure;
- examining the size and composition of our Board and its members in respect of their skills, knowledge, experience and diversity at least once every year, and making recommendations to our Board on any change in Board composition in accordance with our Company's strategies;
- researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board; and
- dealing with other matters that are authorized by our Board.

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

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Relevant Period, no meeting of the Nomination Committee was held, and therefore there is no attendance record of the members of the Nomination Committee at the meeting of the Nomination Committee.

CORPORATE GOVERNANCE FUNCTIONS

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

During the Relevant 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 the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director during their tenure of office at the Board and Board Committees meetings held during the Relevant Period is set out in the table below:

	Attendance/Number of Meetings			
	Board Meeting(s)	Audit Committee Meeting(s)	Remuneration Committee Meeting(s)	Nomination Committee Meeting(s)
Dr. Jonathon Zhong Zhao	2/2	N/A	1/1	N/A
Mr. Yang Xie	2/2	N/A	N/A	N/A
Dr. Zheng Li	2/2	N/A	N/A	N/A
Mr. Stephen Hui Wang	2/2	N/A	N/A	N/A
Dr. Hai Lu	2/2	N/A	N/A	N/A
Dr. Steven Dasong Wang	2/2	N/A	N/A	N/A
Dr. Jian Ji	2/2	1/1	1/1	N/A
Mr. Hongze Liang	2/2	1/1	1/1	N/A
Ms. Yun Qiu	2/2	1/1	N/A	N/A

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the period from the Listing Date to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

We are exposed to various risks for our operations so risk management is important for our business. In addition, we are also exposed to different financial risks, such as liquidity, credit and foreign exchange risks that arise in the ordinary course of our business. For further details, please see the section headed "Principal Risks and Uncertainties facing the Company" in the Management Discussion and Analysis. In order to identify, assess, control and monitor the risks that may cause impediments to our business, we have designed and implemented policies and procedures to help ensure effective risk management in our operations.

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

Our senior management implements the risk management policies, strategies and plans set by our Board. Each functional team monitors and evaluates the implementation of risk management and internal control policies and procedures on a day-to-day basis. In order to formalize risk management among our Company and set a standard level of transparency and risk management performance, the relevant teams will (i) gather information of the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, categorization and measurement of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk control actions when necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

With respect to urgent matters which arise between scheduled Board meetings, the Board secretary may also seek Board approval via telephone conference call or written Board consent. Before each Board meeting, an agenda is prepared with input from Directors, as well as from senior management. At Board meetings, depending on the agenda, heads of different departments will gather information relating to their functions and report to the Board on the relevant agenda items, as necessary. The Board secretary attends all Board meetings to ensure that there is no gap in communication between the two bodies. During Board meetings, the Board will on occasion further review and/or analyze particular issues and report their findings at the next Board meeting. Our Board believe that our corporate structure provides an appropriate system of checks and balances to improve our risk management procedures. Our Audit Committee also reviews and approves our risk management policy to ensure that it is consistent with our corporate objectives, reviews and approves our corporate risk tolerance, monitors the most crucial risks associated with our business operation and our management's handling of such risks, reviews our corporate risks in light of our corporate risk tolerance, and monitors and ensures the appropriate application of our risk management framework among our Company.

Internal Control

The Board is responsible for establishing our internal control system and reviewing its effectiveness. We regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented:

- We have adopted various measures and procedures regarding each aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training on these measures and procedures to our employees as part of our employee training program. We also regularly monitor the implementation of those measures and procedures through our on-site internal control team for each stage of the produce development process;

- Our Directors (who are responsible for monitoring the corporate governance of our Group) with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations;

- We have established the Audit Committee which shall (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of our Group;

- We have established an internal control and audit department, which is independent of other departments of the Company, to perform a review of the adequacy and effectiveness of the risk management and internal control systems;

- We have engaged Rainbow Capital (HK) Limited as our compliance adviser to provide advice to our Directors and management team relating to the Listing Rules;

- We have engaged a PRC law firm to advise us on and keep us abreast with PRC laws and regulations. We will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, supervisors senior management and relevant employees on the latest applicable laws and regulations;

- We maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities. We also monitor to ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting our products for unapproved uses or patient populations, also known as off-label use, and limitations on industry-sponsored scientific and educational activities; and

- We have a whistle-blowing policy that serves the purpose of establishing whistle-blowing procedures for employees and other relevant external parties of our Company, in order to report and escalate any suspicious misconducts. In accordance with the policy, we protect all whistle-blowers from any kind of retaliation. All the information provided by the whistle-blowers will be strictly confidential.

The Company has developed its disclosure policy which provides a general guide to the Directors, officers, senior management and relevant employees of the Company in handling and dissemination of confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules.

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

The Company has an internal audit function which aims at helping the Company to accomplish its objectives by applying a systematic, disciplined approach to evaluate and improve the effectiveness of the Group's risk management and internal control systems and to resolve material internal control defects.

The Board has reviewed the effectiveness of the internal audit system and the risk management and the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff in the aforementioned systems and of the Company's accounting, internal audit and financial reporting functions and the adequacy of their training programs and budget.

The Board, through a review covering all material controls, including financial, operational and compliance controls for the Relevant Period, considered that the risk management and internal control system of the Group was effective and adequate. The Board will conduct annual review on the risks management and internal control system of the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

AUDITORS' REMUNERATION

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

Category of service	Fee paid/ payable *RMB'000*
Audit services	2,624
Non-audit services[Note]	850
Total	3,474

Note: Non-audit services are related to the 2021 ESG report and 2021 interim results review service.

JOINT COMPANY SECRETARIES

During the Relevant Period, Mr. Quanwei Yuan ("**Mr. Yuan**") and Mr. Kai Cheong Willie Cheung, a senior manager of SWCS Corporate Services Group (Hong Kong) Limited were the joint company secretaries of the Company. The primary corporate contact person of our Company is Mr. Yuan who is our joint company secretary and chief financial officer.

The joint company secretaries have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, 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.

Convening Shareholders' General Meetings

Annual general meetings shall be convened once a year, and be held within six (6) months after the end of the previous accounting year. An extraordinary general meeting shall be convened within two (2) months from the date of occurrence of any of the following events:

- the number of Directors is less than the minimum number required by the PRC Company Law or less than two-thirds (2/3) of the number stipulated in the Articles;
- the outstanding loss of the Company accounts for one-third (1/3) of the Company's total paid-up share capital;
- when Shareholders who individually or jointly holding more than ten percent (10%) of the Company's outstanding Shares with voting rights request an extraordinary general meeting to be convened in writing;
- the Board deems it necessary to convene the meeting;
- the Supervisory Committee proposes to convene the meeting;
- when proposed by two or more independent non-executive directors; and
- other circumstances as stipulated by laws, administrative regulations, departmental rules and listing rules of the place where the Company's Shares are listed or the Articles.

The general meeting shall be convened by the Board, and chaired by the chairman of the Board. If the chairman of the Board fails or is unable to perform his or her duties, the Board may appoint a director of the Company to convene the meeting and act as the chairman of the meeting.

In the event that no chairman is appointed, the attending shareholders shall elect one person to act as the chairman of the meeting; if for any reason, the shareholders fail to elect a chairman of the general meeting, the shareholder (including his/her proxy) holding the largest number of voting Shares among the attending shareholders shall be the chairman of the general meeting.

Putting Forward Proposals at General Meetings

Shareholders who individually or collectively hold over 3% of the shares of the Company have the right to propose an extraordinary resolution and submit it to the Board in writing 10 days before the convening of the general meeting. The convener shall issue a supplemental notice of general meeting within 2 days upon receipt of the proposals and incorporate the content of the proposals into the agenda of the general meeting.

The contents of such proposals shall fall with the functions and powers of the general meeting, shall feature definite topics and specific issues for resolution, and shall be in compliance with relevant requirements of laws, administrative regulations, listing rules for stock exchanges where the Company's shares are listed and the Articles of Association.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may supervise the operations of the Company, and to make suggestions and enquiries accordingly.

Contact Details

Shareholders may send their written enquiries or requests as mentioned above to the Company as follows：

Address： No. 270, Shuyun Road, Cangqian Street, Yuhang District, Hangzhou, Zhejiang Province, China
Attention： Mr. Quanwei Yuan
E-mail： ir@zyloxtb.com
Tel： +86 571 8861 0082

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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. For this purpose, the Company has set up a website www.zyloxtb.com, where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public.

In addition, the Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. In accordance with such policy, the Company works to maintain effective and on-going communication with Shareholders so that they, along with prospective investors, can exercise their rights in an informed manner based on a good understanding of the Group's operations, businesses and financial information.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

Based on our review of the initiatives taken by us, we are of the view that the implementation of the Shareholders' communication policy is satisfactory and effective during the Relevant Period.

Attendance of the Directors at the General Meetings

The attendance records of each Director at the general meeting of the Company during the Relevant Period are set out below:

Name of Director	Attendance/Number of General Meeting
Dr. Jonathon Zhong Zhao *(Chairman)*	1/1
Mr. Yang Xie	0/1
Dr. Zheng Li	0/1
Mr. Stephen Hui Wang	0/1
Dr. Hai Lu	0/1
Dr. Steven Dasong Wang	0/1
Dr. Jian Ji	0/1
Mr. Hongze Liang	0/1
Ms. Yun Qiu	0/1

CHANGES TO THE ARTICLES OF ASSOCIATION

During the Relevant Period, the Company has amended its Articles of Association and the amendments to the Articles of Association was approved by the extraordinary general meeting held on September 23, 2021. For details, please refer to the announcement of the Company dated August 30, 2021 and the circular of the Company dated September 7, 2021. Save as disclosed above, no significant change has been made in the Company's Articles of Association during the Relevant Period. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

DIVIDEND POLICIES

The Company has adopted a policy on payment of dividends pursuant to code provision F.1.1 of the CG Code taking into consideration of various elements including but not limited to, among other things, the Company's profitability, operation and development plans, external financing environment, costs of capital, the Company's cash flows and other factors that the Directors may consider relevant. The policy sets out the factors in consideration, procedures, methods and intervals of the payment of dividends with an objective to provide the shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's Business operation and achieving its long-term development goal. Distribution of any interim or final dividends will be formulated by the Board, and will be subject to Shareholders' approval.

As at December 31, 2021, no arrangement was reached pursuant to which the shareholders of the Company waived or agreed to waive their dividends.

ABOUT THIS REPORT

Information about this report

This report is the first Environmental, Social and Government Report (the "**ESG Report**") of Zylox-Tonbridge Medical Technology Co., Ltd. (the "**Company**"), aiming to systemically explain to the shareholders of the Company its management concepts, practices and performance concerning product research and development ("**R&D**"), supply chain management, employee management & development, environmental protection and community engagement.

Reporting scope

The ESG Report covers the principal business of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**") during the period from 1 January 2021 to December 31, 2021, and part of the content can be traced back to previous years or extended to future years. Unless otherwise stated, the key performance indicators ("**KPI**") for the environmental aspects in the ESG Report are applicable to the main production sites and offices of the Company in Hangzhou, Zhuhai, Shanghai and Beijing; the KPI for social aspects in the ESG Report are applicable to the Company and its subsidiaries.

Reporting standards

The ESG Report is prepared in compliance with the requirements of Appendix 27 *Environmental, Social and Governance Reporting Guide* (the "**ESG Reporting Guide**") to the Main Board Listing Rules (the "**Listing Rules**") of Hong Kong Exchanges and Clearing Limited ("**HKEX**").

Reporting principles

"Materiality":. The Report Communication with stakeholders and materiality assessment are engaged in the preparing process of the ESG report to determine key ESG topics.

"Quantitative": The ESG Report adopts quantitative information to disclose the environmental and social KPIs accompanied by a narrative, explaining its purpose and impacts.

"Balance": The ESG Report follows the balance principle to provide an unbiased picture of our ESG performance.

"Consistency": This ESG Report is the first one issued by the Company. We will apply consistent statistical methods in future years to facilitate meaningful comparisons.

Report availability

The Report is released in both print and online editions. The online edition is available for view or download on the HKEXnews website (http://www.hkexnews.hk) and the Company's official website (http://www.zyloxtb.com/).

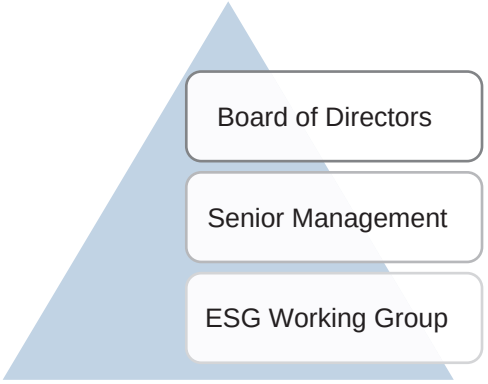
1. ESG MANAGEMENT

We actively perform corporate social responsibilities, keep our commitments to all stakeholders, and continuously improve our social responsibility management system. We have built compliant and consolidated corporate governance structure, attach great importance to business ethics and anti-corruption, constantly optimise our ESG strategy and strive to achieve our sustainable development goals.

1.1. ESG governance structure

In order to execute corporate ESG governance more scientifically and systematically, we have established a three-tier ESG management structure consisting of the Board of Directors, senior management and working group:

- The Board of Directors is responsible for evaluating and developing ESG management principles and policies and supervising ESG issues. It also assumes full responsibility for the Company's ESG strategies and reporting, the regular review of ESG issues and progress in achieving ESG goals, and the review and approval of the annual ESG report.



- Senior Management is responsible for formulating ESG management policy, strategy and performance indicators. It performs annual planning, management and supervision on ESG work, and evaluates and determines the risks and opportunities related to ESG issues to ensure that the Company has set up appropriate and effective ESG risk management system. Besides, Senior Management shall regularly review ESG goals and commitments and report the progress in ESG work to the Board of Directors.

- ESG Working Group is composed of the Company's major functional departments, and is responsible for executing the Company's ESG management policies, implementing ESG policies, promoting routine ESG work, preparing annual ESG report, and reporting the progress in ESG work to Senior Management.

1.2. Stakeholder communication

We believe that the effective engagement of stakeholders is decisive for the Company's long-term sustainable development. Our major stakeholders include shareholders, investors, government and regulators, media and non-governmental organisations (NGOs), suppliers, customers, patients, employees and community. Through various effective channels, including but not limited to online and offline communication, work visit and opinion survey, we understand and actively respond to stakeholders' demands and expectations in a timely manner, and listen to their opinions and suggestions on the Group' s sustainability strategy and performance.

Stakeholders	Demands and Expectations	Communication channels
Shareholders and investors	Investment return Information disclosure Compliant operation	Annual report, financial statements and announcement Investor briefing Company's website Meeting, roadshow and investor conference
Governments and regulators	Compliant operation Tax payment per laws Contribution to society	Direct communication Enterprise forum Seminars and exchanges
Media and NGOs	Promotion of industry development Ensuring compliance publicity Delivery of brand value	Social media Company's website Direct communication Press conference Communication via meetings
Suppliers	Fairness and justice Win-win cooperation	Business communication Regular meetings Field visit Assessment and appraisal

Stakeholders	Demands and Expectations	Communication channels
Customers	Contract fulfilment per laws Honest operation High-quality products and services Customer privacy protection	Business communication Customer feedback Exchange and discussion Negotiation and cooperation Customer satisfaction survey
Employees	Employee rights and interests protection Occupational health and safety Staff benefits improvement Equal opportunities and diversification	Labour union Internal meetings Performance assessment Team building
Community	Active engagement in public welfare Promotion of positive energy	Company's website Mass media Social media

1.3. Materiality assessment

In order to determine the most concerned fields of the Group's ESG work, we engage professional third-party institution to conduct materiality assessment and decide the materiality of each ESG issue to the Company's business development and each stakeholder. The assessment results are used as important considerations in the development of ESG management strategy and the preparation of ESG report. During the reporting period, we conducted interviews on each ESG issue to evaluate their materiality and confirm their impacts.

Step 1 Identify ESG issues

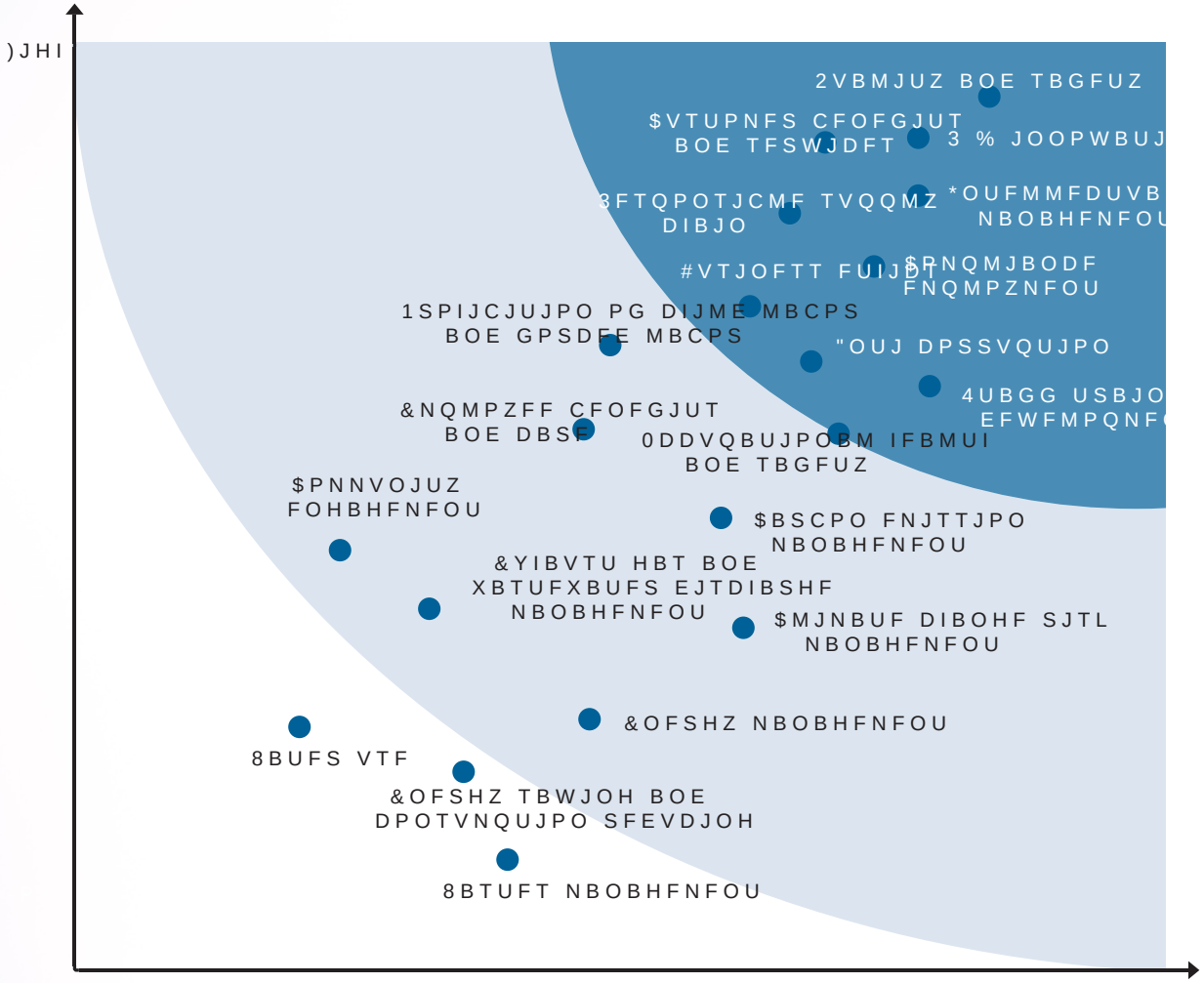
In accordance with the requirements of the *ESG Reporting Guide*, and based on the operational characteristics and strategic direction of the Company, we took into comprehensive consideration the characteristics of the industry and identified 20 ESG issues concerned by stakeholders through a series of analysis.

Step 2 Determine the materiality

We assessed the issues from the perspectives of "Importance to Zylox-Tonbridge" and "Importance to stakeholders" through internal interview & discussion and external opinions collection. Based on the survey, we generated materiality assessment matrix to prioritise the ESG issues.

Step 3 Verify the assessment results

The Board of Directors and Senior Management of the Company reviewed and confirmed the assessment results. Based on the assessment results, we identified 9 issues most concerned by the Company, including quality & safety, R&D innovation, customer rights & interests and customer services, intellectual property management and responsible supply chain. Targeted response to the major issues will be presented in corresponding sections of the report to address the concerns of the stakeholders.



Zylox-Tonbridge materiality assessment matrix

1.4. Honest operation

The business philosophy of compliance and efficiency is the foundation of high-quality services. Adhering to the business ethical values of "abiding by laws and conducting honest operation" and strictly complying with the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Company Law of the People's Republic of China* and other laws and regulations, we have established a sound risk prevention and control mechanism to regulate all employees and partners to follow compliance policies and practice high ethical standards.

In order to protect the interests of the Company and its employees, and to build a corporate environment of honesty, diligence and dedication, we have formulated a series of management policies including the *Anti-corruption and Anti-bribery System*, the *Anti-fraud Management System*, the *Measures and Policies for Anti-money Laundering*, the *Administrative Measures for Trade Secret Protection* and the *Employee Confidentiality Handbook*. In addition, we have also developed the *Employee Handbook*, which clarifies the codes of conduct of the Company and covers all employees and business lines of the Company, in which it is made clear that any employee behaviour involving deception, improper profit, fraud and disclosure of business information is prohibited. For the purpose of preventing behaviours that may infringe on corporate interests such as inappropriate related party transactions and insider information trading, our employees are required to learn and follow the basic principles and standards related to business ethics and sign the *Letter of Commitment to Integrity and Self-discipline* and the confidentiality agreement immediately before on-boarding, while Senior Management staff are required to sign the *Conflict of Interest Questionnaire* to avoid conflict of interest.

We have established adequate channels and handling procedures for whistle blowing, and clarified the related information in the *Workflow for Handling Whistle Blowing*. Employees at all levels and all walks of life can report any act in violation of the professional ethics or any relevant affair through channels such as whistle-blowing hotline, reporting mailbox, email box and online message. If the reported issue is proved true by investigation, we will handle it seriously in accordance with relevant regulations and announce the handling results in public. We have clearly defined whistle blower protection measures in the Measures for Handling Whistle Blowing and Complaints and Protecting Whistle-blowers, which prohibits potential revenge against whistle-blower at any excuse or any disclosure of whistle blower information.

In order to practice incorrupt procurement, we have set up terms concerning anti-corruption and anti-bribery in all procurement and sales contracts. Internally, key roles are required to sign the *Letter of Commitment to Integrity and Self-discipline*, while externally, bidding suppliers are required to sign the Letter of Commitment against Unfair Competition and the *Letter of Commitment for Integrity*. Besides, we regularly conduct distributor compliance trainings concerning anti-unfair competition, setting of limits on customer hospitality and gifts, etc. to help our partners raise awareness of responsibility and jointly build a responsible supply chain.

We attach great importance to the construction of clean culture and ensure all our employees receive training on business ethics through multi-channel and multi-form methods. In order to help new employees develop strong awareness of integrity and compliance immediately after onboarding, we design the orientation training to integrate sections on the *Anti-corruption and Anti-bribery System* and other systems and ensure a 100% coverage over new employees. For the purpose of further raising all employees' awareness of integrity and consolidating the lines of defence for integrity, in addition to the regular training, promotion and implementation on anti-corruption and anti-insider information trading for all departments and management, we also conduct trainings on confidentiality and "high-pressure red line" for marketing staff and interns. During the reporting period, the trainings mentioned above hit a coverage of 100%.

Training for management on anti-corruption and anti-insider information trading

During the reporting period, we conducted 2 trainings on anti-corruption and anti-insider information trading for the Board of Directors, the Board of Supervisors and Senior Management. The first one covered the topics of the definition of fraud, prohibited behaviours punishment of violation, etc., aiming at explaining the scope of insider trading information, insiders, confidentiality obligations and regulations on punishment. The second one focused on the promotion of the frequently violated laws and regulations as mentioned in the *Criminal Risk Analysis Report for Entrepreneurs (2020)*, aiming at raising management's awareness of legal responsibilities.

During the reporting period, there were no legal cases regarding corruption.

2. HEALTH PROTECTION

Adhering to the corporate vision of "Provide patients with high-quality and affordable medical products", we strive to make constant progress in every detail of product R&D, quality control, customer rights and interests protection and supply chain management, and spare no effort to provide patients with high-quality and affordable medical products, so as to better protect their health and well-being with technology.

2.1. Product R&D

As a leading player in the peripheral and neurovascular interventional medical device market in China, we are equipped with strong independent R&D capabilities and product innovation technologies, and continuously provide user-friendly medical services and advanced integrated solutions to physicians and patients in China and around the world. We also actively take part in industry exchanges, endeavour to empower the innovation and development of medical devices, and work with the industry to make progress together.

R&D innovation

We deem R&D as the core for the long-term development of the Company. As China's leading interventional medical device company in developing minimally invasive vascular interventional medical devices, we have established powerful R&D team. Based on our features in product development, we have developed a product R&D system with the Company's characteristics that complies with registration regulations. In order to ensure the quality and efficiency of R&D process, we have formulated the *Work Standards for Design and Development* and other documents to specify the procedures for product R&D and ensure that our products comply with relevant regulations and standards and meet customer demands.

Our current therapeutic areas include acute ischemic stroke (AIS), intracranial aneurysm, carotid artery stenosis, peripheral arterial and venous diseases, and dialysis-related diseases, and we have developed a portfolio of innovative products and product candidates with advanced features that are comparable in performance to imported products by established international brands in the industry.

As at the end of the reporting period, we had developed over 50 high-quality products, striking a full coverage over the rapidly growing neuro and peripheral vascular disease market.

Innovative medical device products

- In March 2017, our product "Peripheral Drug-Eluting Stent System" was certified as an innovative medical device by the National Medical Products Administration, becoming the 10th in Zhejiang Province that obtained this certificate.
- In July 2017, our product "Thrombite™ Clot Retriever Device" passed the National Medical Products Administration's special approval application review for innovative medical devices, and then in September 2020, the device was officially approved for registration by the National Medical Products Administration, becoming the 89th innovative medical device product approved for marketing in China, the third nationally approved innovative product in the field of neurovascular intervention, and the first approved product in the field of neurovascular intervention in Guangdong Province.
- In November 2020, our product "Drug-Coated PTA Balloon Catheter" that had been certified as an innovative medical device in 2016 (the 3rd in Zhejiang Province), was officially approved by the National Medical Products Administration for registration, and became China's 96th innovative medical device product approved for marketing.

Besides, in order to inspire the R&D innovation spirit of employees, and reward their R&D achievements, we hold quarterly commendation meetings on a regular basis to award employees and organizations who have made significant contributions. During the reporting period, we paid RMB2 million as "Product Launching Bonus" to the qualified employees to recognize their spirit of constant researching and exploration. In 2021, we have formulated and issued the *Project Incentive System*, aiming to further clarify rewarding policies for each stage of product R&D and encourage employees to create more competitive products.

Industry-University-Research institute collaboration

We cooperate with medical institutions and carry out joint R&D through projects that integrate medical and engineering science. Since our project cooperation with the vascular surgery department of The First Affiliated Hospital of Chongqing Medical University in 2018, we have applied for several patents for our R&D achievement of "Peripheral Venous System". In the 4th China Medical Devices Design & Entrepreneurship Competition (2021), this project stood out from all 831 projects after several rounds of preliminary and semi-final contests, and won the third prize in the finals for "high-value consumables and implantable and interventional" products.

We also took an active part in industrial activities and maintained exchanges with peers, so as to promote achievement and knowledge sharing in the medical device industry.

- In January 2021, at the time when 100 innovative medical devices were approved for marketing, the Company, as an approved innovative medical device company, attended the video conference on innovative medical device achievement report convened by the National Medical Products Administration.

- In September 2021, the Company participated in the 12th China International Medical Device Regulatory Forum (CIMDR) held by the China Center for Food and Drug International Exchange (CCFDIE), and delivered a keynote speech titled "Capability Model for RA Talents of Innovative Local Enterprises" at the 3rd Conference on Talent Development of Law Affairs.

Snap shot: The keynote speech titled "Capability Model for RA Talents of Innovative Local Enterprises"

GB/T29490–2013
Certificate of Intellectual Property Management System

Intellectual property protection

Over the years, we have accumulated rich professional knowledge and proprietary technologies in product development and manufacturing, and acquired a number of patents for proprietary technologies. In order to better manage and protect our intellectual properties and patents obtained during the R&D process, we have built a complete intellectual property management system in accordance with the standards specified in the *Enterprise Intellectual Property Management Specifications* (GB/T29490–2013), and have formulated relevant documents such as intellectual property policies and objectives, intellectual property manual, intellectual property management procedures and records of intellectual property management activities to ensure effective intellectual property management. So far, parts of our business have obtained the GB/T29490–2013 Certificate of Intellectual Property Management System.

We have issued the *Intellectual Property System*, the *Notice on Raising Incentives for Patents* and other relevant policies and documents to clarify the administrative standards for classification and definition of intellectual properties, protection of intellectual properties and intellectual property infringement, and the incentive measures related to intellectual properties, with the incentive level for patents increased to encourage innovation among R&D personnel.

As at the end of the reporting period, the Group had acquired 46 patents in total, including 11 patents for inventions and 35 patents for utility models.

2.2. Quality management and control


Certificate

ISO 13485 : 2016

Zhejiang Zylox Medical Device Co., Ltd.

SCOPE

IAS ACCREDITED

MSCB-103

ISO 13485
Medical Device Quality Management System certificate

A well-established quality management system is essential for guaranteeing the production quality of medical devices. Recognizing the importance of product quality and safety, we implement a strict quality standard system and control procedures to carry out rigorous verification and risk control of product function and performance over the whole product life cycle involving design, production, storage and transportation.

We have compiled complete regulatory documents including quality manual, procedure documents, management regulations and technical documents in accordance with the laws and regulations such as the *Regulations on the Supervision and Administration of Medical Devices*, the *Measures for the Supervision and Administration of Medical Device Production*, the *Quality Management Standards for Medical Device Production* and the *Measures for the Administration of Registration of Medical Devices*, as well as the relevant regulations of ISO 13485 Medical Device Quality Management System. Abiding by the PDCA rules, we specify quality management requirements for all procedures such as management activities, resource provision, design & development, and product realisation, and regularly conduct quality assessments to make constant upgrading of our quality management system. So far, we have been granted the ISO 13485, GB/T19001 and YY/T0287 Medical Device Quality Management System certificate, indicating that our production quality management system complies with the GMP requirements of China and the EU.

We monitor and identify laws and standards related to product and quality system in real time, and regularly carry out internal exchanges such as interpretation of laws and regulations. We also actively create internal and external learning and seminar exchange opportunities for employees to raise their awareness of quality and improve their competence in quality management. During the reporting period, we invited external experts on quality management systems to provide employees with a series of trainings involving the three public systems (process water system, compressed air system and clean room air conditioning system), microbiological examination, production quality management and sterilisation.

Quality control

We have set up QC (quality control) team to perform inspection and measurement on products concerning the raw materials, semi-finished products, finished products, production process and environment, and compiled a series of documents including the *Monitoring and Measurement Control Procedures*, the *Regulations on Releasing Management*, the *Inspection and Testing Control Procedures* and the *Unqualified Product Control Procedures* to standardise procedures for product quality inspection and disposal of unqualified products, so as to ensure that the outgoing products comply with product technical requirements and applicable laws, regulations and standards.

Product Quality Control Procedures

Quality improvement

Through equipment upgrading, process optimisation, process modification, technical exchange and other ways, we constantly enhance quality team building and raise awareness of quality. We make annual calibration plans for inspection and production equipment, and perform measurement and calibration on a regular basis. We have also built laboratories that meet *CNAS-CL01:2018 Accreditation Standards for Testing and Calibration Laboratories*, and comprehensively improve the laboratories in aspects of standardized operations, facilities, etc. based on the application requirements. During the reporting period, we implemented the following projects for quality improvement:

- Newly deploying dozens of inspection and production equipments such as hydraulic blaster and laser welder, which significantly improved product inspection quality and production quality.

- Conducting specific improvement to high pressure balloons, which optimised the important performance indicator of “product passability”.

- Holding skill contest for front-line production employees to show their skills and compete on the yield and efficiency of process production.
- Participating in the Guangdong "Star" Quality Improvement Training arranged by the State Administration for Market Regulation.

2.3. Customer rights and interests protection

A sound rights and interests protection mechanism is the cornerstone for maintaining good customer relationship. We constantly upgrade our services to improve customer satisfaction and protect customer's rights and interests in safety and health.

Patient protection

Based on the principles of the *Declaration of Helsinki* and the requirements of relevant laws and regulations, we ensure that all clinical research project plans are approved by the Ethics Committee and filed with human genetic resources, and ensure that all clinical trials meet requirements on compliance, safety and relevant ethics. In order to protect clinical subjects' rights and interests, we also explain the details of clinical trial projects to subjects and obtain their signed informed consent to ensure that they understand the possible benefits and risks related to the trial.

We strictly adhere to laws and regulations such as the *Regulations on the Supervision and Administration of Medical Devices* and the *Quality Management Standards for the Clinical Trials of Medical Devices*, and have formulated the *Regulations On Clinical Trial Management* to enhance clinical trial management, standardise clinical trial process and ensure the results are authentic, scientific, reliable and traceable.

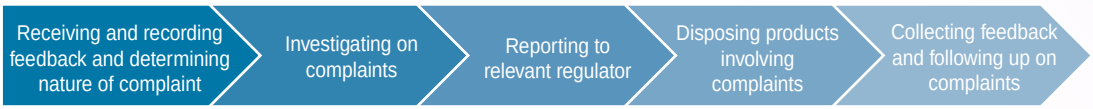
In order to protect the health and safety of patients, we pay extreme attention to detect and handle adverse events of products. We comply with the *Measures for the Administration of Medical Device Adverse Event Monitoring and Re-evaluation* and other related laws and regulations, and have formulated the *Adverse Event Reporting and Recall Control Procedures*, the *Product Recall Management Procedures* and other regulatory documents to clarify adverse event detecting procedures to ensure timely receiving, reporting, following-up of adverse events, and to adopt appropriate corrective and preventive measures, including product recall to prevent the recurrence of similar quality accidents and protect the health and safety of patients and users.

During the reporting period, there was no product recall due to product safety and health or any other factors.

High-quality experience

1. *Customer service*

We have formulated the *Regulations on Handling Customer Complaints* to ensure that an efficient and smooth communication mechanism is established to timely handle customer feedback and complaints, help customers reduce the troubles caused by quality abnormality, protect the reputation of the Company and improve customer satisfaction. During the reporting period, we received a total of 2 customer complaints, and the handling rate is 100%.



Customer complaints handling process

In order to further improve our service quality, we initiated a satisfaction survey during the reporting period, where we invited distributors to appraise the Company from the perspectives of "product", "business cooperation" and "channel service". The Company scored 96.75 points out of 100 points from the final assessment in the survey in 2021.

2. *Personal privacy protection*

We respect and protect the personal privacy of our customers and patients, and strive to ensure the security of their personal information. We closely abide by the *Personal Information Protection Law of the People's Republic of China*, the *Tort Law of the People's Republic of China* and other related laws and regulations, and develop relevant management measures to clarify the confidentiality obligations of all people involved. By signing confidentiality agreements with medical institutions and other partners, and presenting confidentiality clauses in employee labour contract and other ways, we further raise the confidentiality awareness of partners and employees and avoid the leakage of private information of customers and patients.

Compliant marketing

Abiding by the *Advertising Law of the People's Republic of China*, the *Criterions for the Examination and Publication of Medical Apparatus Advertisements*, the *Medical Devices Regulation* (MDR) and other laws and regulations setting forth special provisions for advertising in the field of medical devices, we strictly control the marketing information published via channels like website, packaging and brochure, and avoid exaggerating propaganda and exporting of content containing deceptive and misleading information. We have formulated the *Regulations on the Management of Marketing Activities* to clarify approval procedures and responsible persons for relevant activities to ensure that the publicity activities and information are in compliance with laws and regulations. We have also compiled the *Zylox Medical Brand Visual Identification Manual* and the *Tonbridge Medical Brand Visual Identity Guidelines Manual* to comprehensively regulate the application of each element in the visual identification system as a whole, so as to clarify brand image, strengthen brand consistency, and empower marketing activities.

Besides, we conduct internal and external compliant marketing trainings regularly. During the reporting period, we inculcated employees with the awareness of compliance through orientation training for newcomers, interim meeting and distributor meeting, so as to ensure that our employees and distributors get a well understanding of the Company's compliance requirements to reduce and avoid potential compliance risk.

2.4. Supply chain management

Stable and high-quality raw materials are the basic guarantee for us to provide customers with high-quality products and services. We have built a complete supply chain management mechanism to effectively identify and control risks. We also enjoy common development with suppliers, develop sustainable cooperative relationship and jointly build responsible supply chain with them.

As at the end of the reporting period, the Group has 658 suppliers.

Number of suppliers by geographical regions	2021
Total in 2021	***658***
Mainland China	***608***
Hong Kong, Macao and Taiwan	***2***
Overseas	***48***

Supplier access

We standardise supplier admission management through the *Supplier Evaluation and Selection Procedures*, and clarify the responsibilities of each relevant department in the supplier access process. At the same time, we further standardise the indicators adopted for supplier access assessment with documents such as the *Supplier Sample Evaluation Form* and the *Supplier Access Audit Form* to confirm the operation status, production capacity, quality management system, product quality and service capabilities meet relevant access requirements. Currently, we have 77 raw materials suppliers with ISO 13485 certificate and another 35 with ISO 9001 certificate.

Supplier access process

Supplier assessment

We regularly conduct annual audit on suppliers, and have formulated the *Supplier Performance Evaluation Form* to evaluate and score suppliers from the aspects of "quality", "delivery", "cost" and "service". We implement hierarchical management on suppliers, and classify them into excellent suppliers (favoured), qualified suppliers (normal), trial suppliers (requiring review and rectification) and unqualified suppliers (to be eliminated) based on annual scores.

We also incorporate social and environmental risk impact assessments into supplier access audit process. We have developed the *Supplier Code of Conduct*[1], which requires suppliers to meet relevant laws, regulations and international practices regarding labour and human rights, health and safety, environmental impact, ethics, and management commitments. In terms of environment, suppliers are required to uphold the principle of assuming responsibilities for environmental protection in the production process, and encouraged to obtain ISO 14001 certificate or corresponding certificate. In respect of society, suppliers are required to provide safe and hygienic working conditions, implement fair employment measures, and effectively implement anti-corruption and integrity supervision.

Supplier communication

In addition, we actively communicate with suppliers through training, publicity and other activities. During the reporting period, we carried out special training for the improvement of the production quality of suppliers, and provided comprehensive management training and guidance concerning awareness of quality, machine and equipment management, material management, operation method monitoring, workshop environment inspection and testing methods to further regulate and standardise their daily production and management activities.

[1] The full version of the Supplier Code of Conduct is available on Zylox-Tonbridge's official website: http://www.zyloxtb.com/upload/files/202112011656277561.pdf

3. TALENT CARE

We value talents as the foundation of the success and development of the Company. We insistently take talents cultivation as a long-term strategy for the purpose of cultivating and selecting high-calibre talents. Meanwhile, driven by a mechanism for promoting innovation at the workplace, we have created an environment where gather outstanding talents and give full play to their values and potentials, attaining pursuit of mutual development of the Company and talents.

3.1. Employment

Strictly abiding by the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Provisions on the Prohibition of Using Child Labour* and other relevant laws and regulations, we have specified in the *Staff Handbook* the internal policies and rules, which are relevant to employment, termination of labour contracts, working hours, remuneration, social insurance and benefits, leave, employee training, codes of conduct, etc. The employment of child labour is strictly prohibited. Upholding the values of equality, we treat every employee equally, protect their basic legitimate rights and interests and establish harmonious labour relationship with them. The Group has never employed child labour since its establishment.

As at the end of the reporting period, the Group had 487 full-time employees.

Staff structure	Number of employees in 2021	Proportion
Total	487	
By gender		
Male	220	45.2%
Female	267	54.8%
By employment type		
Full-time	486	99.8%
Part-time	1	0.2%
By age		
Under 30 years old	224	46.0%
30 to 50 years old	258	53.0%
Above 50 years old	5	1.0%
By region		
Hangzhou	359	73.7%
Zhuhai	54	11.1%
Other regions	74	15.2%

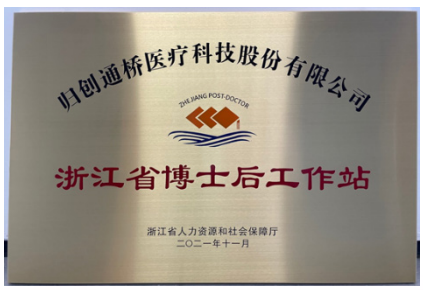
Recruitment

Adhering to the principle of open, objective and equal recruitment, we have formulated regulatory documents such as the *Recruitment Management Rules* and the *Job Description* to standardise the application and recruitment processes for employment. Candidates will be considered on the basis of their specialities, skills, moral conduct and other aspects directly related to work abilities, regardless of race, class, nationality, place of origin, religion, age, disability, gender, marital status, etc. We assess candidates by interviews, examinations and background checks to ensure that they meet the job requirements of the Company and to improve their overall interview experience simultaneously.

Through diverse recruiting channels such as online recruitment, head-hunting and internal recruitment, we gather talents to meet the demand of human resource aligned with the business development. In order to attract more professional talents from colleges and universities, we sufficiently plan the campus recruitment based on the understanding of internal demands and external market, and constantly improve the training mechanism for fresh graduates. In addition, we attract potential candidates by promoting our corporate culture on up-to-date social media such as Tik Tok and WeChat.

In order to improve the accuracy and efficiency of professional talent introduction, we constantly strengthen cooperation with colleges and universities to jointly establish a multi-level talent training platform, and well coordinate the education chain, talent chain, innovation chain and industrial chain. We have partnered with a number of colleges and universities in school-enterprise cooperation projects to provide standardised training programmes for interns through the Industry-University-Research institute collaboration, and create a complete talent reserve chain.

Zhejiang Postdoctoral workstation	In 2021, we successfully established a postdoctoral workstation in Zhejiang Province, which served as an important base for close coordination between enterprises, universities, and research institutes, as well as a front edge for scientific research innovation. As at the end of the reporting period, there is 1 postdoctoral researcher engaged in the research of peripheral vascular stents.



Social practice base at Zhejiang University	Since 2016, we have cooperated with the Department of Polymer Science and Engineering of Zhejiang University to establish a long-term social practice base for postgraduates for the purpose of providing students with opportunities to learn the product development model of enterprises, and promoting the combination of scientific research and product development in the medical device industry.
Zhejiang Pharmaceutical Vocational University	Since 2020, we have cooperated with Zhejiang Pharmaceutical Vocational University to establish the "ZYLOX Practice Base" to provide students with opportunities of internship and standardised training, and jointly establish a school-enterprise collaborative education programme for professionals of medical device which is considered as a new engineering discipline.
Guangdong Food and Drug Vocational College	In November 2021, in corporation with Guangdong Food and Drug Vocational College, we launched a project that pursued synergy through the collaboration between enterprises, universities, and research institutes.

Working hours

In order to standardise working hour management and guarantee the reasonable and adequate leisure time of employees, we have formulated the *Attendance Management Rule* that stipulates the working hour system and the flexible working arrangement according to the characteristics of various positions. An online system for attendance is adopted. We prohibit forced labour and encourage employees to complete their work during ordinary working hours. If overtime working is required under special circumstances, a prior approval from the department manager is required. In addition, our staff are entitled to national statutory holidays, paid annual leave, sick leave, personal leave, marriage leave, maternity and paternity leave, work injury leave, bereavement leave, etc.

3.2. Remuneration and welfare

We have established a framework for fair, reasonable and competitive remuneration and welfare. Pursuant to relevant national and local laws and regulations, we pay premiums and contributions on social insurances (including basic pension, medical insurance, unemployment insurance, work injury insurance and maternity insurance), housing fund and commercial insurance for our employees. In addition to statutory welfare, we also provide employees with a variety of corporate benefits.

Honorary awards	Seniority awards, three-year and five-year service awards, patent awards, etc.
Gifts	Holiday gifts, birthday gifts, wedding gifts, childbirth gifts, kick-off bonus, etc.
Health care	Commercial insurance, annual physical examination, summer high-temperature benefits, etc.
Daily care	Work meal allowance, overtime meal allowance, afternoon tea, shuttle bus, free accommodation, etc.
Team building	Company team building, company anniversary celebration, company annual party, annual tourism, etc.
Entertainment and sports	New employee party, knowledge contest, basketball game, dormitory housekeeping competition, birthday party, Women's Day activities, collective movies viewing, department team building, theme dinner, etc.

Reading zone

Gym room

Yoga room

We prevent and control risks in labour relations according to the *Personnel Management System*, and have established a complete remuneration and performance system based on the *System for Employee Remuneration, Welfare, Leave and Expense Reimbursement* and the *Performance Management System*. Employee remuneration, which is composed of basic salary, performance bonus, etc. is determined by the importance and difficulty of positions, employee's ability, performance, seniority and working conditions. We regularly evaluate employees' performance and have formulated the *Employee Reward and Punishment System* to motivate high-performance employees. We also conduct regular audits on staffing and set up an equity incentive mechanism for middle and senior managers and key employees in order to attract, retain and motivate excellent talents and reduce employee turnover.

During the reporting period, the employee turnover[2] is as follows:

Structure indicator of employee turnover rate	2021
Total	**14.0%**
By gender	
Male	**15.4%**
Female	**12.7%**
By age	
Under 30 years old	**15.5%**
30 to 50 years old	**12.5%**
Above 50 years old	**16.7%**
By region	
Hangzhou	**14.5%**
Zhuhai	**19.4%**
Other regions	**6.3%**

3.3. Talent cultivation

Talent training is one of the cornerstones of an enterprise's long-term and steady development. To support employee development, we are committed to establishing a sound platform for career development, continuously optimising the system for employee promotion assessment and training, comprehensively improving employees' professional knowledge and skills.

Promotion assessment

We have developed a dual career ladder with different sequences, titles and ranks based on the nature of positions, which offers employees upward progression either through a managerial and a technical career path. We adhere to the principle of rank-by-rank promotion and conduct a promotion assessment on an annual basis. We also open the inter-profession development path to staff, providing them with more comprehensive career development. In addition, we have designed a mechanism of exceptional promotion to reward employees who have made significant contributions to the Company or achieved great breakthrough in a professional field.

[2] The equation for calculating the employee turnover rate used by the Group: Employee turnover rate = Number of turnover during the reporting period/ (Number of turnover during the reporting period + Number of staff at the end of the reporting period) * 100%.

Employee training

In order to improve the skills and knowledge of employees and inspire their potential, we have promulgated the *Training Management System*. Taking the characteristics of medical device enterprises into consideration, we have worked out a training system consistent with the development of the Company and employees. At the beginning of the year, we developed an annual training programme, focusing on profession and sharing, which covered more than 40 courses in 9 aspects regarding materials, risk management, project management, regulatory system and product development. We provided customized training programmes for different employees to meet varied requirements of positions and demands of trainings. We focused on improving the leadership and management capabilities of managers, while the professional and innovation capabilities of professionals.

Qihang Programme	Designed for new employees, this programme introduced the Company's profile, rules and regulations and daily code of conduct, etc., to help them get familiar with and integrate into the Company and fit into new jobs quickly.
Yangfan Programme	Designed for a variety of professionals, this programme provides trainings on professional skills in alignment with the professional requirements of each department, to help them become professionals in their respective positions.
Chuying Programme	Designed for a variety of reserve talents and first-line managers, this programme offered scientific approaches to self-management, event management and employee management to help them achieve rapid career advancement to eligible and experienced team managers.
Xiongying Programme and Jinying Programme	Designed for middle and high-level managers, these programmes cultivated their strategic thinking, global view and management capabilities, to improve the Company's core competitiveness.

Staff training events

During the reporting period, more than 90.3% of the employees of the Group received training, and the average annual learning hours per employee reached 11.4 hours.

Index	Proportion of employees receiving training (%)[3]	Average training hours per person (hours)[4]
Total	90.3	11.4
By gender		
Male	85.5	10.9
Female	94.4	11.7
By employment type		
Senior management	72.2	11.3
Middle management	96.2	10.7
Junior employees	90.4	11.5

3.4. Health and Safety

Adhering to the safety policy of "putting safety first, focusing on risk prevention and practising comprehensive management", we take occupational health and safety as the basis for staff's work and one of the priorities of the Company's daily operations.

Strictly abiding by the *Labour Law of the People's Republic of China*, *Work Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Provisions on the Supervision and Administration of Occupational Health at Work Sites* and other relevant laws and regulations, we have formulated the *Safety Management System and Operating Procedures, and taken a series of measures to* strengthen the supervision of production safety. We have established a leadership team for production safety, implemented the production safety responsibility system, and standardised the handling, reporting, investigation and handling procedures for production safety accidents by formulating emergency plans and other measures. Production safety management is logged and archived properly. Meanwhile, in order to effectively implement the production safety policy, we require staff across departments at all levels to sign the *Letter of Commitment on Production Safety Management* to define their production safety responsibilities. We regularly organise meetings on production safety and carry out relevant inspections. At the same time, factory staff are required to receive safety orientation to understand and strictly observe the *EHS Level 3 Safety Training* and *Training on the Basic Knowledge of Production Safety*. We have also formulated a reward and punishment system for production safety, defining the reward and punishment rules, in order to enhance production staff's awareness of safety responsibility.

[3] Proportion of employees receiving training= Number of employees receiving training/Total number of employees * 100
Proportion of employees receiving training by certain category = Number of employees receiving training under this category/Total number of employees under this category*100

[4] Average training hours per employee = Total training hours/Total number of employees
Average training hours per employee by certain category = Total training hours of employees under this category/Total number of employees under this category

We have been continuously improving the occupational health and safety management system, and the placement and management of occupational hazard warning signs, safety risk instructions and necessary precautions in the workplaces. We have formulated management measures with respect to chemical safety, electrical safety, fire protection and safety for special types of work to avoid potential safety accidents. We actively monitor the working environment, and entrust a third party to inspect the places where occupational hazards might exist in the production process on an annual basis. During the reporting period, all the inspection results were qualified. We also require staff to wear personal protective equipment at work according to the Company's requirements, and to take periodic physical examinations for occupational diseases. During the reporting period, no abnormality was found in staff's physical examination results.

We regularly conduct safety emergency drills and fire safety trainings to help improve employees' ability to respond to emergencies and their safety awareness. For office staff, in addition to the health and safety training during orientation, we also carry out trainings on occupational risk prevention and self-protection knowledge to enhance their safety awareness and skills.

Over the past three years, there has been no work-related death reported in the Group. The lost days due to work work-related injuries were 41 during the reporting period.

Annual fire drill

During the reporting period, we organised staff to participate in the fire drill held by the Industrial Park in response to fire in workplace. The drill included three scenarios of fire accidents: "emergency response to the electricity cabinet fire in the reception room", "emergency response to close-range fire" and "emergency response to small fire aloft". The participants were instructed on incident response methods, knowledge related to fire safety and other contents.

In addition, we have always been guaranteeing the safety and health of our staff during the COVID-19 pandemic. We implemented pandemic prevention and control measures in a timely manner, monitored the pandemic on a daily basis within the Company, set up temperature checks at the entrance of the workplaces, collected health conditions of employees in a timely manner, actively publicised and implemented the latest policies and information related to the pandemic, and provided staff with masks, disinfectants and other anti-pandemic supplies.

3.5. Employee care

With a corporate culture that emphasises people's well-being and encourages diversity, we strive to create an easy, friendly, free and harmonious working environment for all staff. We pay attention to democratic management, participation and supervision, encourage open and sincere intercommunication, and listen to staff via diversified communication and feedback channels.

Staff meeting	Internal communication platform	Inter-department and intra-department face-to-face talks
General Manager's mailbox	Communication and interview on performance	Various interviews and symposiums

Staff communication channels

At the same time, in order to enrich employees' leisure time and implement the Company's humane management and care for employees, we organised a series of colourful activities including birthday parties, basketball games and team building during the reporting period to enhance the integration of various departments and the communication between management and junior employees, and improve team cohesion and sense of belonging.

Staff birthday party

Operation conference

Conference dinner

Team building and parties

In November, we organised the outdoor activities themed on "Glory of Past Ten Years, Prosperity for the Future" and team building in Dong'ao Island. All staff actively participated and enjoyed in the entertaining activities and the celebration party.

"Glory of Past Ten Years, Prosperity for the Future" outdoor activities

4. ENVIRONMENTAL PROTECTION

We uphold the concept of green development and are committed to building a sustainable and environment-friendly green enterprise. Abiding by the local laws, regulations and management regulations on environmental protection in our operation locations, we implement energy conservation and emission reduction measures in an endeavour to mitigate the adverse impact of production and operation activities on the environment. We also actively advocate green culture to enhance staff's awareness of environmental protection and promote the green development of the Company.

Our business operations do not involve large-scale production activities, do not consume large amounts of energy and do not produce large emissions, so there is no significant negative impact on the environment and natural resources. We will continue to improve the management of environmental protection, ensure that all types of emissions meet the required standards, and strive to reduce energy and resource consumption, so as to better explore and improve our plan of environmental protection and set scientific and feasible goals in the future.

4.1. Emissions management

In strict compliance with the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and relevant requirements of laws and regulations, we have formulated the *Waste Management Regulations* and the *Hazardous Chemicals Warehouse Management Regulations* and other policies to standardise the relevant management rules and the responsibilities of each department.

In order to effectively manage the emissions, we engage a third party to annually test the fugitive exhaust gas, synthetical wastewater and noise emitted by the plant to confirm that the emissions meet the relevant national standards. We have also formulated the *Waste Management System* and other regulations to define the types and treatment specifications of various waste to prevent potential environmental pollution incidents. At the same time, we uniformly collect the hazardous waste liquid, waste alcohol and other waste organic solvents generated in the laboratories, and have signed the *Agreement on Industrial and Commercial Waste Treatment* and the *Contract of Industrial and Commercial Hazardous Waste Recycling and Transportation Service* and other documents with a qualified third party for door-to-door recycling, transportation and treatment. We also reduce the discharge of pollutants such as wastewater and exhaust gas through various emission management measures.

Wastewater

- The sewage is collected into a settlement tank in the plant area where it is settled before being discharged into the municipal sewage pipeline, and non-contaminated water and contaminated water are treated separately.
- The neutralised wastewater is discharged through the special sewage outlet and delivered to the water purification plant through the municipal sewage network.
- The cooling water is recycled, refilled regularly instead of being discharged.

Exhaust gas

- Organic adsorption devices are equipped at the ends of the pipes to reduce the emission of organic solvent exhaust gas that generated in the processes of spraying and detection.
- Water is used to absorb organic exhaust gas to achieve zero emission.

The exhaust gases we produce are mainly welding fume waste gases from the production process and laboratory waste gases, and the exhaust gas emissions are extremely small and have no substantial impact, so the emission data related to exhaust gas are not disclosed in this report. In the future, we will continue to implement strict emission management measures, ensure the qualified discharge of wastewater, exhaust gas and solid waste, and increase production capacity and optimize the process to reduce the proportion of exhaust gas and wastewater simultaneously; implement streamlined packaging and increase the number of recycling to reduce the generation of solid waste.

During the reporting period, our emissions-related performance indicators were as follows:

Category	2021
Wastewater emission	
Including: wastewater emission (ton)	**17,569.01**
COD emission (ton)	**7.45**
Ammonia nitrogen emission (ton)	**0.37**
Solid waste emission	
Total hazardous waste (ton)	**1.1**
Hazardous waste intensity (ton/million-yuan revenue)	**0.01**
Total non-hazardous waste (ton)	**8.13**
Non-hazardous waste intensity (ton/million-yuan revenue)	**0.05**

4.2. Resources and energy management

We adhere to the production and operation principles of energy saving, low carbon emission and environmental protection, and implement energy conservation measures. We have clarified the relevant regulations on the use of different types of energy and resources for the purpose of reducing energy and resource consumption.

Energy management

We focus on reasonable and efficient use of energy, taking various energy-saving measures to reduce energy consumption and greenhouse gas emissions.

In this year, we further enhanced energy management and took energy-saving measures by adopting automatic power-off of lighting fixtures and air conditioners at fixed time periods, setting up electronic reminders to turn off equipment and manually inspecting and broadcasting energy-saving instructions, etc.

The energy consumed in our production and operation process mainly includes diesel, gasoline and purchased electricity. During the reporting period, our energy consumption and greenhouse gas emissions were as follows:

Category	2021
Direct energy consumption	
Gasoline (MWh)	**85.24**
Indirect energy consumption	
Purchased electricity (MWh)	**2200.85**
Total energy consumption (MWh)	**2286.09**
Energy consumption intensity (MWh/million-yuan revenue)	**12.85**
Greenhouse gas emissions	
Total greenhouse gas emissions(tCO_2e)	**1,405.14**
Including: Scope 1 emissions (tCO_2e)	**20.84**
Scope 2 emissions (tCO_2e)	**1,384.30**
Greenhouse gas emission intensity (tCO_2e/million-yuan revenue)	**7.90**

Water resource management

We actively take water-saving measures, improve water use efficiency and prevent waste of water resources through process modification and facility upgrades. We did not have any illegal water intake incidents this year.

- We optimised the cleaning process. The consumption of water is lowered by reducing the times of rinsing with purified water during rough washing and replacing a portion of sterile water for injection with alcohol during fine washing. The consumption of purified water and sterile water for injection may be lowered by approximately 70% and 50% respectively during the cleaning of materials.

- The original manual faucets have been replaced by sensor faucets which can intelligently open and close to reduce water waste.

We continue to explore ways to reduce water consumption. During the reporting period, our water consumption was as follows:

Category	2021
Tap water consumption (ton)	**19,521.00**
Tap water consumption intensity (ton/million-yuan revenue)	**109.72**

Packaging material management

The packaging materials involved in our production process include bubble film, paper plastic bag, packing box, etc. During the reporting period, we reduced the consumption of packaging materials through various measures such as the improvement of packaging and the reuse of packaging materials.

- Adjustment of forms: the peripheral balloon dilatation catheter is coiled up instead of being put in a long blister box, reducing the volume of the interlayer box by 11%.

- Optimisation of dimension: the length of the interlayer box of the BGC products is shortened by 13.8% according to the inner packaging dimension of the product.

- LCL (Less than Container Load) shipment: LCL shipment of various scattered products can reduce the consumption of carton by approximately 20%.

During the reporting period, our packaging material consumption was as follows:

Category	2021
Total consumption of packaging materials (ton)	**7.26**
Consumption intensity of packaging materials (ton/million yuan revenue)	**0.04**

4.3. Climate change response

We will continue to pay attention to the impact of global climate change trends and relevant laws and regulations on business operations. Based on our own operation model and business characteristics, we have analyzed climate change-related issues in our operation locations, and formulated relevant measures to ensure effective responses to climate change-related challenges.

Since one of our main operations is located in a coastal city, we are exposed to physical risks mainly including typhoon, torrential rain and other extreme weather. We have formulated the *Emergency Plan for Production Safety Accidents* and the *Safety Precautions against Disaster Weather* in order to respond to typhoon and rainy weather in a scientific and reasonable way, and to ensure the health and safety of staff and the safety of the Company's properties. At present, the precautions against extreme weather we have taken are as follows:

- Establishing a leadership team for emergency response with the main responsibilities of team members defined clearly
- Clarifying the classification system of emergency response
- Listing and implementing emergency safeguard measures
- Formulating process mechanisms for meteorological monitoring, risk alarming, organisation and implementation, post-event inspection, summary review and emergency drills

5. SOCIAL ENGAGEMENT

We have always been endeavouring to promote the progress of medical technology and the development of human health, promote the development of the industry and public welfare in many fields utilising our resources and technological advantages, repay the society with responsibility and charity, and create a good industry atmosphere and harmonious social environment collaboratively with all walks of life.

Contributions to community

As a corporate citizen, we adhere to the spirit of morality and charity and undertake the responsibility of repaying the society. We carried out a number of charitable activities during the reporting period, including donations for poverty alleviation, book donations, fundraising and charity auctions.

Book donation for Jinfeng Primary School

During the reporting period, we participated in the book donation for Jinfeng Primary School in the High-tech Zone, Zhuhai, donating a total of 2,280 books worth more than RMB80,000. This event is the first cooperation between the Company and the school. In the future, the Company will carry out a variety of community public welfare activities with Jinfeng Primary School to create a good humanistic education environment and promote the development of the community.

Book donation for Jinfeng Primary School

Charity donation activity for Children with leukaemia

During the reporting period, we participated in the donation activity with Beijing New Sunshine Charity Foundation and New Sunshine Ward School to donate toys, painting tools and other gifts to children suffering from leukaemia in the Children's Hospital of Zhejiang University School of Medicine. We hope to play a model role in caring for children with leukaemia, and inspire more people from society to contribute their love.

Industry engagement

Engaged in the healthcare industry, we are acutely aware of our social responsibility and mission. We participate in industry exchanges through a variety of channels and multiple forms. We are striving to provide new concepts, new technologies and new platforms for the field of peripheral and neurovascular intervention in China, improve the accessibility of medical services, and promote the development of the industry and the level of public health.

Participation in academic activities

We actively participate in various academic forums, seminars and study courses, and have received unanimous praise from experts and practitioners for promoting academic exchanges.

- *The 13th China Endovascular Course*

  In the 13th China Endovascular Course held in October, domestic clinical medical experts were invited to give special speeches, case sharing, discussion through various forms such as pre-conference meetings, special satellite meetings, and online interactive communities to promote exchanges on industry technology and cutting-edge innovations.

- *2021 Oriental Conference of Interventional Neuroradiology (OCIN)*

  At the OCIN held in October, a series of rich and remarkable academic activities were organised, including the presentations of Tonbridge Phoenix Coil System, Tonbridge's Story and BADDASS technology.[5] At the same time, we invited domestically renowned clinical experts to discuss key issues in the field of the field of neurovascular intervention, and announced the establishment of Tonbridge BADDASS Mentor Group to initiate standardised AIS[6] treatment in China.

BADDASS technology presentation site

5 BADDASS technology: a standardised surgical operation for ischemic stroke patients through thrombectomy stents, intracranial support catheters, balloon guide catheters and other supporting neurointerventional devices.

6 AIS: acute ischemic stroke

Building a communication community

Relying on our own medical platform, we have built a professional communication community for medical professionals and related partners to promote product research and development based on the value of clinical use, and promoted the development of the domestic medical device industry.

- *Zylox Institute*

  In the field of peripheral vascular intervention, we have built the "Zylox Institute" platform to provide better innovative services for professionals and patients with respect to professional exchange, skill training, biomedical engineering innovation, patient education and social welfare.

- *Innovation Workshop*

  In the field of neurovascular intervention, we have successfully held dozens of "Innovation Workshop" medicine-engineering dialogs. Experts and engineers were invited for the zero-distance communication, and collision of their views on topics such as the development of cutting-edge technologies and product development in the industry.

Independent Auditor's Report

To the Shareholders of **Zylox-Tonbridge Medical Technology Co., Ltd.**
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Zylox-Tonbridge Medical Technology Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 125 to 196, comprise:

- the consolidated balance sheet as at December 31, 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Notes 2.21 and 6 to the consolidated financial statements. For the year ended December 31, 2021, revenue from sales of medical devices approximated to RMB177.9 million. Sales are recognized when control of the products has been transferred, being when the products are delivered to the customer or picked up by the customer at the Group's warehouse, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. We focused on this area due to the large volume of revenue transactions generated from a number of customers, thus significant audit effort was spent in this area.	Our procedures in relation to the revenue recognition included: 1) We understood and evaluated the revenue recognition policy of the Group by reviewing the sales contracts entered with the customers on a sample basis and discussed with management. 2) We understood, evaluated, and tested the relevant controls in respect of the Group's revenue recognition process. 3) We tested the occurrence and accuracy of revenue transactions recognized in relation to the sales of medical devices by examining, on a sample basis, the relevant supporting documents including sales orders, goods delivery notes and invoices. 4) We confirmed the balances of trade receivables and advance from customers with selected customers, considering the significance of the balances and the nature and characteristics of those customers. 5) We tested sales transactions recorded before and after the balance sheet date, on a sample basis, by reconciling recognized revenue with the goods delivery notes to assess whether revenue was recognized in the correct reporting periods. Based on our audit procedures performed, we found that the Group's revenue recognized was supported by the evidence that we obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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 ISAs 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 ISAs, we exercise professional judgment 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 15, 2022

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Revenue	6	**177,912**	27,631
Cost of sales	7	**(46,031)**	(11,344)
Gross profit		**131,881**	16,287
Selling and distribution expenses	7	**(95,269)**	(20,453)
Administrative expenses	7	**(100,599)**	(30,992)
Research and development expenses	7	**(168,100)**	(72,065)
Other income	9	**15,286**	9,997
Other expenses	9	**(712)**	(257)
Other gains/(losses) — net	10	**5,058**	(2,679)
Net impairment losses on financial assets		**(21)**	–
Operating loss		**(212,476)**	(100,162)
Finance income	11	**13,094**	360
Finance costs	11	**(307)**	(666)
Finance income/(costs) — net		**12,787**	(306)
Loss before income tax		**(199,689)**	(100,468)
Income tax expense	12	**–**	–
Loss for the year		**(199,689)**	(100,468)
Loss attributable to:			
— Equity holders of the Company		**(199,689)**	(100,468)
		(199,689)	(100,468)
Loss and total comprehensive loss for the year attributable to the equity holders of the Company		**(199,689)**	(100,468)
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per share (in RMB per share)	13	**(0.68)**	(0.52)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at December 31, 2021

	Note	As at December 31, 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**178,270**	105,224
Right-of-use assets	15	**34,115**	16,950
Intangible assets	16	**4,889**	7,556
Prepayments and other receivables	19	**6,804**	4,099
Total non-current assets		**224,078**	133,829
Current assets			
Inventories	18	**57,272**	28,993
Prepayments, other receivables and other current assets	19	**37,616**	23,764
Trade receivables	20	**446**	129
Financial assets at fair value through profit or loss	21	**10,515**	157,700
Term deposits	22	**1,500,000**	100,000
Cash and cash equivalents	22	**1,418,359**	59,556
Total current assets		**3,024,208**	370,142
Total assets		**3,248,286**	503,971
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital/paid-in capital	23	**332,401**	225,062
Share premium	23	**2,270,033**	–
Other reserves	24	**841,007**	561,147
Treasury shares	23	**(9,149)**	–
Accumulated losses		**(289,618)**	(361,515)
Total equity		**3,144,674**	424,694
Liabilities			
Non-current liabilities			
Borrowings	27	**–**	26,250
Lease liabilities	15	**6,509**	1,396
Total non-current liabilities		**6,509**	27,646

As at December 31, 2021

	Note	As at December 31, 2021 RMB'000	2020 RMB'000
Current liabilities			
Trade and other payables	26	**86,307**	43,658
Contract liabilities	6	**3,420**	134
Borrowings	27	**–**	3,750
Lease liabilities	15	**2,896**	2,825
Other current liabilities		**4,480**	1,264
Total current liabilities		**97,103**	51,631
Total liabilities		**103,612**	79,277
Total equity and liabilities		**3,248,286**	503,971

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Jonathon Zhong Zhao
Director

Yang Xie
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Note	Share capital/ paid-in capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance as at January 1, 2020		182,643	–	244,079	–	(261,047)	165,675
Comprehensive income:							
Loss for the year		–	–	–	–	(100,468)	(100,468)
Transactions with equity holders of the Company:							
Capital injection from equity holders	*23,24*	42,419	–	293,957	–	–	336,376
Share-based compensation expenses	*25*	–	–	23,111	–	–	23,111
Balance as at December 31, 2020		225,062	–	561,147	–	(361,515)	424,694
Balance as at January 1, 2021		**225,062**	**–**	**561,147**	**–**	**(361,515)**	**424,694**
Comprehensive income:							
Loss for the year		**–**	**–**	**–**	**–**	**(199,689)**	**(199,689)**
Transactions with equity holders of the Company:							
Capital injection from equity holders before initial public offering	*23,24*	**38,339**	**–**	**475,235**	**–**	**–**	**513,574**
Conversion into a joint stock company	*24*	**–**	**–**	**(271,586)**	**–**	**271,586**	**–**
Issue of shares from initial public offering	*23*	**69,000**	**2,270,033**	**–**	**–**	**–**	**2,339,033**
Purchase of treasury shares	*23*	**–**	**–**	**–**	**(9,149)**	**–**	**(9,149)**
Share-based compensation expenses	*25*	**–**	**–**	**76,211**	**–**	**–**	**76,211**
Balance as at December 31, 2021		**332,401**	**2,270,033**	**841,007**	**(9,149)**	**(289,618)**	**3,144,674**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	Note	Year ended December 31, 2021 RMB'000	2020 RMB'000
Cash flows used in operating activities			
Cash used in operations	28(a)	**(127,533)**	(82,694)
Interest received		**11,327**	360
Net cash used in operating activities		**(116,206)**	(82,334)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(78,110)**	(45,140)
Purchase of land use right		**(11,485)**	–
Purchase of term deposits		**(2,159,800)**	(100,000)
Proceeds from term deposits upon maturity		**759,800**	–
Purchase of financial assets at fair value through profit or loss	21	**(1,504,697)**	(389,200)
Proceeds from sales of financial assets at fair value through profit or loss	21	**1,665,832**	285,123
Proceeds for disposal of property, plant and equipment		**109**	41
Net cash used in investing activities		**(1,328,351)**	(249,176)
Cash flows generated from financing activities			
Capital injection from equity holders before initial public offering	23(a)	**513,574**	336,376
Proceeds from initial public offering		**2,454,660**	–
Payments of listing expenses		**(114,757)**	–
Proceeds from borrowings	28	**5,000**	35,500
Repayment of borrowings	28	**(35,000)**	(23,000)
Interest paid for borrowings		**(7)**	(422)
Cash paid for purchase of treasury shares		**(9,149)**	–
Principal elements of lease payments	28	**(4,198)**	(2,673)
Interest elements of lease payments	28	**(300)**	(244)
Net cash generated from financing activities		**2,809,823**	345,537
Net increase in cash and cash equivalents		**1,365,266**	14,027
Cash and cash equivalents at beginning of the year		**59,556**	46,130
Exchange losses on cash and cash equivalents		**(6,463)**	(601)
Cash and cash equivalents at end of the year	22	**1,418,359**	59,556

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

Zylox-Tonbridge Medical Technology Co., Ltd. (the "**Company**", or "**Zylox-Tonbridge Medical**") was incorporated in Hangzhou, Zhejiang Province of the People's Republic of China (the "**PRC**") on November 6, 2012 as a limited liability company. On March 2, 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from "Zhejiang Zylox Medical Device Co., Ltd." to "Zylox-Tonbridge Medical Technology Co., Ltd."

The Company and its subsidiaries (together, the "**Group**") are providing solutions to patients and physicians with the product portfolio covering peripheral-vascular interventional devices and neurovascular interventional devices in the PRC and other countries.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on July 5, 2021.

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

These consolidated financial statements have been approved for issue by the Board of Directors on March 15, 2022.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) Amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time to financial reporting period commencing on or after January 1, 2021:

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

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New Standards, amendments to standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group for the reporting period are as follows:

	New standards, amendments	Effective for annual periods beginning on or after
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRSs 2018–2020 Cycle	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IFRS 4	Extension of the temporary exemption from applying IFRS 9	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 IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	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

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(b) New Standards, amendments to standards and interpretations not yet adopted (Continued)

The Group has already commenced an assessment of the related impact of the above standards and amendments to standards which are relevant to the Group's operation. There are no other standards that are not yet effective and that are expected to have a material impact on the Group's financial performance and position.

2.2 Principles of consolidation

2.2.1 *Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Group on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2 Summary of significant accounting policies (Continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company.

2.5 Foreign currency translations

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**Functional Currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized within "Other gains/(losses) — net" in the consolidated statement of comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost or acquisition cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvement, the shorter lease term as follows:

— Buildings	40 years
— Equipment and instruments	3–5 years
— Office equipment and furniture	3–5 years
— Motor vehicles	4–5 years
— Leasehold improvements	Shorter of remaining lease term or estimated useful lives
— Landscape	5 years

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in "Other gains/(losses) — net" in the consolidated statement of comprehensive income.

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at historical cost or acquisition cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition as well as capitalized borrowing costs during the periods of construction and installation. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and intangible assets and depreciated in accordance with the policy as stated above.

2.7 Intangible assets

(a) Non-proprietary technologies

Non-proprietary technologies are initially recorded at cost and are amortized on a straight-line basis over their useful lives of 10 years. The Group determined the non-proprietary technologies (Note 16) to have a useful life of 10 years based on periods that the Group's in-house research and development capabilities and manufacturing process can benefit from the non-proprietary technologies

(b) Research and development

Research and development cost comprise all costs that are directly attributable to research and development activities (relating to the design and testing of new or improved high end medical instruments) or that can be allocated on a reasonable basis to such activities. Research and development costs are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the medical instruments so that it will be available for use or sale;
- management intends to complete the medical instruments, and use or sell it;
- the ability to use or sell the medical instruments;

2 Summary of significant accounting policies (Continued)

2.7 Intangible assets (Continued)

(b) Research and development (Continued)

- it can be demonstrated how the medical instruments will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the medical instruments; and
- the expenditure attributable to the medical instruments during its development can be reliably measured.

Other development expenditures that do not meet these criteria are charged to expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

2.8 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets and liabilities

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

(i) Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

(ii) Those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

2 Summary of significant accounting policies (Continued)

2.9 Financial assets and liabilities (Continued)

2.9.1 *Classification (Continued)*

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 *Recognition and measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(ii) FVOCI: Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in "Other gains/(losses) — net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains/(losses) — net".

(iii) FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net in the consolidated statement of comprehensive income within "Other gains/(losses) — net" in the period in which it arises.

During the years ended December 31, 2021 and 2020, no amount has been recognized in respect of financial assets at FVOCI.

2 Summary of significant accounting policies (Continued)

2.9 Financial assets and liabilities (Continued)

2.9.3 *Derecognition of financial assets*

The Group derecognises a financial asset when the rights to receive cash flows from the asset have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2.9.4 *Impairment of financial assets*

The Group assesses the expected credit losses associated with its debt instruments carried at amortized cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

The measurement of expected credit losses reflects: An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information. The Group has applied simplified approach in calculating expected credit loss prescribed by IFRS 9 — Financial Instruments, which permits the use of the lifetime expected loss provision for all trade receivables.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If no significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as 12-month expected credit losses.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (Continued)

2.11 Inventories

Inventories including raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting discounts. 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.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash in bank and deposits held at call with financial institutions (excluding term deposits with term over 3 months).

2.14 Share capital/paid-in capital

Paid-in capital and ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

Where the Group purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity as "treasury shares" until the shares are cancelled or reissued.

2.15 Trade and other payables

Trade and other payables mainly represent the obligations to pay for goods, services or construction that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities unless payment is not due within one year or less after the reporting period.

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

2.16 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (Continued)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(a) Pension, housing funds, medical insurances and other social insurances obligations

Employees of the Group's subsidiaries which operate in the PRC are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas (the "**PRC Pension Scheme**"). The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2 Summary of significant accounting policies (Continued)

2.19 Employee benefits (Continued)

(a) Pension, housing funds, medical insurances and other social insurances obligations (Continued)

Employees of the Group are entitled to participate in various government supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

(b) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheets.

2.20 Share-based payments

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from eligible employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

2 Summary of significant accounting policies (Continued)

2.20 Share-based payments (Continued)

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period.

Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts

2.21 Revenue recognition

Revenue is recognized when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("**transaction price**").

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

Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with using the same approach as for trade receivables. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract.

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

2 Summary of significant accounting policies (Continued)

2.21 Revenue recognition (Continued)

The following is a description of the accounting policy for the principal revenue stream of the Group.

During the year ended December 31, 2021, revenue of the Group arose from sale of medical devices. Sales are recognized when control of the products has been transferred, being when the products are delivered to the customer or picked up by the customer at the Group's warehouse, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been transferred to the customer or be picked up by the customer at the Group's warehouse, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2.22 Leases as lessee

The Group leases properties and land use rights in the PRC as lessee. Rental contracts are typically made for fixed periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

2 Summary of significant accounting policies (Continued)

2.22 Leases as lessee (Continued)

The lease payments are discounted using the interest rate implied in the lease. If that rate cannot be determined, the incremental borrowing rate is used.

Right-of-use assets are measured at cost comprising the following:

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

Right-of-use assets are subject to impairment (Note 2.8). Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months without a purchase option.

2.23 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.24 Interest income

Interest income from financial assets at FVPL is included in the “Other gains/(losses) — net” on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

2 Summary of significant accounting policies (Continued)

2.25 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.26 Dividend distribution

Dividend distribution to the equity holders is recognized as a liability in the Group's consolidated financial statements during the period in which the dividends are approved by the equity holders or directors, where appropriate.

2.27 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- The loss attributable to equity holders of the company;
- By the weighted average number of ordinary shares outstanding during the financial year (excluding treasury shares).

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the management of the Group. The Group currently does not use any derivative financial instruments to hedge certain risk exposure.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' Functional Currency. Functional Currency of the Group is RMB.

The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group's exposure to foreign exchange risk mainly arises from certain cash and cash equivalents and term deposits denominated in USD and HKD. As at December 31, 2021, if the USD or HKD strengthened/weakened by 5% against the RMB with all other variables held constant, net loss for the year would have been RMB17,244,000 lower/higher (2020: RMB1,509,044).

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets and liabilities, except for cash and cash equivalents (Note 22), term deposits (Note 22) and borrowings (Note 27). Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

The Group's interest rate risk mainly arises from borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As at December 31, 2020, the Group's borrowings were borrowings that carried at fixed rates, which exposed the Group to fair value interest rate risk. The Group had no borrowings as at December 31, 2021.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk mainly arises from cash and cash equivalents and term deposits, trade receivables and other receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

(i) Risk management

To manage this risk, cash and cash equivalents, term deposits and interest receivables are mainly placed with state-owned banks or reputable commercial banks which are high-credit-quality financial institutions.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers is usually around 10 to 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

For other financial assets carried at amortized cost (excluding prepayments and value-added tax recoverable), management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

(ii) Impairment of financial assets

The Group's financial assets that are subject to the expected credit loss assessment, include cash and cash equivalents and term deposits, trade receivables and other receivables.

Cash and cash equivalents and term deposits

The Group expects that there is no significant credit risk associated with cash and cash equivalents and term deposits since they are deposited at state-owned banks or reputable commercial banks which are high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents and term deposits are also subject to the impairment requirements of IFRS 9, while the identified impairment loss was immaterial.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables

For trade receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information. The Group has applied simplified approach in calculating expected credit loss prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

The expected loss rates are based on payment pattern of debtors with similar risk profiles and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product index ("**GDP**") and consumer price index ("**CPI**") of the country in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The loss allowance as at December 31, 2021 was determined as follows for trade receivables.

	As at December 31, 2021		
	Gross carrying amount ***RMB'000***	**Expected credit loss rate**	**Loss allowance** ***RMB'000***
Within 3 months	**458**	**2.62%**	**(12)**

Movements in allowance for impairment of trade receivables are as follows:

	Year ended December 31,	
	2021 ***RMB'000***	2020 *RMB'000*
At beginning of the year	**–**	–
Increase in loss allowance	**(12)**	–
At end of the year	**(12)**	–

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables

Management has assessed that during the year ended December 31, 2021, other receivables has not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management.

The loss allowance as at December 31, 2021 was determined as follows for other receivables.

	As at December 31, 2021 *RMB'000*
Expected credit loss rate	**0.21%**
Gross carrying amounts — other receivables	**4,360**
Loss allowance	**(9)**

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables (Continued)

Movements on the Group's allowance of impairment of other receivables are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
At beginning of the year	**–**	–
Increase in loss allowance	**(9)**	–
At end of the year	**(9)**	–

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due.

Impairment losses on other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyzes the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The following table presents the Group's contractual maturities of financial liabilities as at December 31, 2021 :

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As at December 31, 2021					
Trade and other payables (excluding accrued taxes other than income tax and staff salaries and welfare payables)	**46,443**	**–**	**–**	**–**	**46,443**
Lease liabilities (including interest payments)	**3,743**	**3,439**	**4,302**	**–**	**11,484**
	50,186	**3,439**	**4,302**	**–**	**57,927**

The following table presents the Group's contractual maturities of financial liabilities as at December 31, 2020:

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As at December 31, 2020					
Trade and other payables (excluding accrued taxes other than income tax and staff salaries and welfare payables)	24,398	–	–	–	24,398
Lease liabilities (including interest payments)	2,951	1,413	–	–	4,364
Borrowings	5,170	4,986	24,407	–	34,563
	32,519	6,399	24,407	–	63,325

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital/paid-in capital, share premium and capital reserve and other reserves) by regularly reviewing the gearing ratio, which is calculated by dividing the sum of borrowings and lease liabilities by total equity. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital/paid-in capital and share premium. In the opinion of the directors of the Company, the Group's capital risk is low.

As at December 31, 2021 and 2020, the gearing ratio was as follows:

	As at December 31,	
	2021	2020
Gearing ratio	**0.30%**	8.06%

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of the financial assets which are measured at amortized cost, approximate their carrying amount as at December 31, 2021 and 2020.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended December 31, 2021 (2020: nil).

The following table presents the Group's assets that were measured at fair value as at December 31, 2021:

	Level 1 ***RMB'000***	**Level 2** ***RMB'000***	**Level 3** ***RMB'000***	**Total** ***RMB'000***
Assets:				
Financial assets at FVPL	**–**	**–**	**10,515**	**10,515**

The following table presents the Group's assets that were measured at fair value as at December 31, 2020:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets:				
Financial assets at FVPL	–	–	157,700	157,700

There were no changes in valuation techniques during the year ended December 31, 2021 (2020: nil).

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 items for the year ended December 31, 2021 and 2020:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Opening balance	**157,700**	52,000
Additions	**1,504,697**	389,200
Disposals	**(1,665,832)**	(285,123)
Gains recognized in profit or loss *(Note 10)*	**13,950**	1,623
Closing balance	**10,515**	157,700

The finance department of the Group manages the valuation exercise of the investments on a case by case basis. Least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The components of the level 3 instruments mainly include investments in wealth management products and venture fund. Wealth management products are issued by banks in the PRC with floating return of investment. The Group used discounted cash flows approach to value the fair value of the financial product as at period end and the inputs are expected return rate ranging from 1.5% to 3.5% per annum.

The Group used recent transaction prices to value the fair value of the venture fund as at December 31, 2021.

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the loss before income tax for the year ended December 31, 2021 would have been RMB1,051,500 lower/higher (2020: RMB15,770,000).

4 Critical accounting estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also need to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4 Critical accounting estimates (Continued)

(a) Research and development expenses

Development costs incurred on the Group's pipeline products are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria are met for capitalization. All development expenses were expensed when incurred during the year.

(b) Recognition of share-based compensation expenses

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. At the end of each reporting period, the Group revise estimated number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

5 Segment

The management of the Company has determined the operating segments based on the reports reviewed by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company. On this basis, the Group has determined that it only has one operating segment which is the sales of neurovascular and peripheral-vascular interventional surgical devices during the year.

(a) Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the years ended December 31, 2021 and 2020 is set out below:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Customer A	**111,915**	21,641
Customer B	**41,294**	–
	153,209	21,641

5 Segment (Continued)

(b) Geographical information

(i) Revenue from external customers

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
The PRC	**174,450**	24,284
Others	**3,462**	3,347
	177,912	27,631

The revenue information above is based on the locations of the customers.

(ii) Non-current assets

All of the non-current assets of the Group are physically located in the PRC.

6 Revenue

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Revenue from sales of goods		
— at a point in time	**177,912**	27,631

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Revenue from sales of goods		
— Neurovascular interventional devices	**112,271**	19,940
— Peripheral vascular interventional devices	**65,641**	7,691
	177,912	27,631

6 Revenue (Continued)

(a) The Group recognized the following liabilities related to the contracts with customers:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Contract liabilities	**3,420**	134

Contract liabilities represent advance from customers and are recognized when payments are received before the transfer of goods. As at December 31, 2021 and 2020, there are no material unsatisfied performance obligations resulting from contracts.

(b) Revenue recognized that was included in the balance of contract liabilities at the beginning of the year:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Revenue from sales of goods	**134**	19

7 Expenses by nature

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Employee benefits expenses *(Note 8)*	**202,558**	75,201
Testing and clinical trial fees	**41,386**	13,109
Raw materials and consumables used		
— Cost of sales	**29,405**	6,164
— Research and development expenses	**24,897**	9,853
Market development expenses	**29,284**	3,051
Listing expenses	**22,733**	–
Utilities and office expenses	**14,116**	4,340
Professional services	**13,804**	8,469
Travelling and transportation expenses	**7,408**	2,696
Depreciation of property, plant and equipment *(Note 14)*	**7,304**	4,242
Depreciation of right-of-use assets *(Note 15)*	**3,267**	2,864
Less: Amounts capitalized in property, plant and equipment *(Note 14(ii))*	**(291)**	(291)
Amortization of intangible assets *(Note 16)*	**2,667**	2,667
Auditor's remuneration		
— Audit service	**2,624**	393
— Non-audit service	**850**	–
Others	**7,987**	2,096
Total cost of sales, selling and distribution expenses, administrative expenses and research and development expenses	**409,999**	134,854

8 Employee benefits expenses

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Wages, salaries, social security costs, housing benefits and employee welfare	**94,590**	39,583
Share-based compensation expenses *(Note 25)*	**76,211**	23,111
Discretionary bonuses	**27,956**	12,438
Pension cost — defined contribution plan (i)	**3,801**	69
	202,558	75,201

8 Employee benefits expenses (Continued)

(i) The employees of the Group in the PRC are members of state-managed pension scheme operated by the local Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

During the year ended December 31, 2021, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2020: nil).

9 Other income and expenses

Other income

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Government grants (i)	**14,465**	9,596
Rental income	**821**	401
	15,286	9,997

Other expense

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Depreciation of right-of-use assets *(Note 15)*	**(435)**	(156)
Other expenses	**(277)**	(101)
	(712)	(257)

(i) The government grants mainly represent subsidies received from the government in relation to the support on certain research and development projects and the reward for the successful IPO. There are no unfulfilled conditions or other contingencies attached to these grants.

10 Other gains/(losses) — net

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Foreign exchange losses — net	**(8,277)**	(4,473)
Net fair value gains from financial assets at fair value through profit or loss	**13,950**	1,623
Gains on disposal of property, plant and equipment	**16**	29
Others	**(631)**	142
	5,058	(2,679)

11 Finance income/(costs) — net

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Finance income:		
Bank interest income	**13,094**	360
Finance costs:		
Interest expense on lease liabilities *(Note 15(c))*	**(300)**	(244)
Interest expense on bank borrowings	**(463)**	(1,097)
Less: borrowing costs capitalized in qualifying assets *(Note 14(i))*	**456**	675
	(307)	(666)
Finance income/(costs) — net	**12,787**	(306)

12 Income tax expense

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Current income tax expense	**–**	–
Deferred income tax expense	**–**	–
	–	–

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

(i) Mainland China

Pursuant to the PRC Corporate Income Tax Law and the respective regulations (the "**CIT Law**"), the Group is subject to enterprise income tax at a rate of 25% on the taxable income.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 onwards, the enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their taxable income for that year. Pursuant to the relevant tax regulations, effective from 2021 onwards, manufacturing enterprises are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses.

No deferred tax asset has been recognized in respect of the tax losses and temporary differences due to the unpredictability of future profit streams.

The tax losses will normally expire within 5 years. The Company's subsidiary Zhuhai Tonbridge Medical Technology Co., Ltd. ("**Zhuhai Tonbridge**") was qualified as Small and Medium-sized Technological Enterprises in 2018. Pursuant to the relevant regulations on extending the expiry date of tax losses of High-Tech Enterprises and Small and Medium-sized Technological Enterprises issued in July 2018, which retrospectively effects from January 1, 2018, the expiry date of the unused tax losses extended from 5 years to 10 years from then on.

12 Income tax expense (Continued)

(ii) Hong Kong

Hong Kong profits tax rate is 8.25% for assessable profits on the first HKD2 million and 16.5% for any assessable profits in excess. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the year ended December 31, 2021.

According to the Hong Kong tax laws and regulations, the tax losses would be carried forward and deducted for income tax purposes, without expiry date.

A reconciliation of the expected income tax calculated at the applicable tax rate and loss before income tax, with the actual income tax is as follow:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss before income tax	**(199,689)**	(100,468)
Tax calculated at statutory tax rates applicable to each Group entity	**(49,657)**	(25,117)
Tax effect of:		
Expenses not deductible for tax purpose	**689**	352
Extra deduction for research and development expenses	**(31,439)**	(11,540)
Temporary differences not recognized as deferred tax assets	**11,784**	3,988
Tax losses not recognized as deferred tax assets	**68,623**	32,317
Income tax expense	**–**	–

(iii) Unrecognized tax losses and temporary differences

The Group has not recognized any deferred tax assets in respect of the following items:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Deductible losses (a)	**275,552**	129,267
Deductible temporary differences	**47,136**	15,952
	322,688	145,219

12 Income tax expense (Continued)

(iii) Unrecognized tax losses and temporary differences (Continued)

(a) Deductible losses that were not recognized as deferred tax assets will be expired as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
2023	**5,528**	5,528
2024	**66,582**	66,582
2025	**115,313**	115,313
2026	**232,097**	31,813
2027	**39,529**	39,529
2028	**107,797**	107,797
2029	**44,108**	44,108
2030	**24,568**	24,568
2031	**72,150**	–
Indefinite	**3,118**	–
Unused tax losses carried forward	**710,790**	435,238

13 Loss per share

In March 2021, the Company was converted to a joint stock limited liability company and total 263,401,001 ordinary shares with par value of RMB1.00 each were issued and allotted to the respective equity holders of the Company according to the paid-in capital registered under these equity holders on that day. The conversion (Note 23(b)) to ordinary shares with par value of RMB1.00 each issued after the conversion is applied retrospectively for the years ended December 31, 2021 and 2020 for the purpose of computation of basic loss per share.

Basic loss per share is calculated by dividing the loss of the Group attributable to equity holders of the Company by weighted average number of ordinary shares outstanding during the financial year excluding treasury shares.

For the years ended December 31, 2021 and 2020, the Group has potential dilutive shares related to the shares held for Pre-IPO Share Option Scheme (Note 25(b)). Due to the Group's losses, the potential ordinary shares are not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the diluted loss per share is the same as basic loss per share.

13 Loss per share (Continued)

The calculations of basic and diluted loss per share are based on:

	Year ended December 31,	
	2021	2020
Loss attributable to equity holders of the Company *(RMB'000)*	**(199,689)**	(100,468)
Weighted average number of ordinary shares in issue during the year *(thousand)*	**294,595**	194,766
Basic and diluted loss per share *(RMB)*	**(0.68)**	(0.52)

14 Property, plant and equipment

	Buildings *RMB'000*	Office equipment and furniture *RMB'000*	Equipment and instruments *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Landscape *RMB'000*	Total *RMB'000*
As at January 1, 2020								
Cost	–	1,340	14,148	1,460	41,584	12,072	–	70,604
Accumulated depreciation	–	(714)	(7,665)	(416)	–	(10,015)	–	(18,810)
Net book value	–	626	6,483	1,044	41,584	2,057	–	51,794
Year ended December 31, 2020								
Opening net book value	–	626	6,483	1,044	41,584	2,057	–	51,794
Additions	–	730	5,184	625	49,812	1,333	–	57,684
Disposals	–	(1)	–	(11)	–	–	–	(12)
Depreciation charge *(Note 7)*	–	(280)	(2,168)	(292)	–	(1,502)	–	(4,242)
Closing net book value	–	1,075	9,499	1,366	91,396	1,888	–	105,224
As at December 31, 2020								
Cost	–	2,046	19,332	1,874	91,396	13,405	–	128,053
Accumulated depreciation	–	(971)	(9,833)	(508)	–	(11,517)	–	(22,829)
Net book value	–	1,075	9,499	1,366	91,396	1,888	–	105,224

14 Property, plant and equipment (Continued)

	Buildings *RMB'000*	Office equipment and furniture *RMB'000*	Equipment and instruments *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *RMB'000*	Landscape *RMB'000*	Total *RMB'000*
As at January 1, 2021								
Cost	–	2,046	19,332	1,874	91,396	13,405	–	128,053
Accumulated depreciation	–	(971)	(9,833)	(508)	–	(11,517)	–	(22,829)
Net book value	–	1,075	9,499	1,366	91,396	1,888	–	105,224
Year ended December 31, 2021								
Opening net book value	–	1,075	9,499	1,366	91,396	1,888	–	105,224
Additions	–	3,860	14,072	2,285	59,666	560	–	80,443
Disposals	–	(13)	(1)	(79)	–	–	–	(93)
Transfer upon completion	139,250	–	–	–	(145,213)	–	5,963	–
Depreciation charge *(Note 7)*	(582)	(700)	(3,628)	(645)	–	(1,650)	(99)	(7,304)
Closing net book value	138,668	4,222	19,942	2,927	5,849	798	5,864	178,270
As at December 31, 2021								
Cost	139,250	5,874	33,399	3,973	5,849	13,965	5,963	208,273
Accumulated depreciation	(582)	(1,652)	(13,457)	(1,046)	–	(13,167)	(99)	(30,003)
Net book value	138,668	4,222	19,942	2,927	5,849	798	5,864	178,270

(i) The Group has capitalized borrowing costs of RMB456,000 on qualifying assets for the year ended December 31, 2021 (2020: RMB675,000). Borrowing costs were capitalized at the weighted average of its borrowings rate of 4.9% during the respective year (Note 27).

(ii) During the years ended December 31, 2021 and 2020, the Group has capitalized the depreciation of right-of-use assets amounting to RMB291,000 respectively.

(iii) As at December 31, 2020, certain property, plant and equipment and right-of-use assets were pledged as collateral under a loan agreement (Note 27 (a)), with carrying amount of RMB105,049,000. During the year ended December 31, 2021, the borrowings with collateral were fully repaid.

14 Property, plant and equipment (Continued)

(a) Depreciation of property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Research and development expenses	**3,041**	2,501
Administrative expenses	**2,312**	423
Cost of sales	**1,675**	1,108
Selling and distribution expenses	**276**	210
Total	**7,304**	4,242

15 Right-of-use assets

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Right-of-use assets		
— Land use rights (a)	**24,828**	13,653
— Buildings (b)	**9,287**	3,297
	34,115	16,950

15 Right-of-use assets (Continued)

(a) Land use rights

(i) The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the lease term is 50 years. The movements of land use rights are analyzed as follows:

	Land use rights *RMB'000*
As at January 1, 2020	
Cost	14,550
Accumulated amortization	(606)
Net book value	13,944
Year ended December 31, 2020	
Opening net book value	13,944
Amortization charge *(Note 7)*	(291)
Closing net book value	13,653
As at December 31, 2020	
Cost	14,550
Accumulated amortization	(897)
Net book value	13,653
As at January 1, 2021	
Cost	**14,550**
Accumulated amortization	**(897)**
Net book value	**13,653**
Year ended December 31, 2021	
Opening net book value	**13,653**
Addition	**11,485**
Amortization charge *(Note 14(ii))*	**(310)**
Closing net book value	**24,828**
As at December 31, 2021	
Cost	**26,035**
Accumulated amortization	**(1,207)**
Net book value	**24,828**

15 Right-of-use assets (Continued)

(b) Buildings

(i) The Group leases offices for own use. Information about leases for which the Group is a lessee is presented below:

	Buildings *RMB'000*
As at January 1, 2020	
Cost	10,699
Accumulated depreciation	(5,718)
Net book value	4,981
Year ended December 31, 2020	
Opening net book value	4,981
Additions	1,045
Depreciation charge *(Note 7) (Note 9)*	(2,729)
Closing net book value	3,297
As at December 31, 2020	
Cost	11,744
Accumulated depreciation	(8,447)
Net book value	3,297
As at January 1, 2021	
Cost	**11,744**
Accumulated depreciation	**(8,447)**
Net book value	**3,297**
Year ended December 31, 2021	
Opening net book value	**3,297**
Additions	**9,382**
Depreciation charge *(Note 7) (Note 9)*	**(3,392)**
Closing net book value	**9,287**
As at December 31, 2021	
Cost	**21,126**
Accumulated depreciation	**(11,839)**
Net book value	**9,287**

15 Right-of-use assets (Continued)

(b) Buildings (Continued)

(ii) Lease liabilities recognized in the balance sheets:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Lease liabilities		
— current	**2,896**	2,825
— non-current	**6,509**	1,396
	9,405	4,221

(iii) Present value of lease liabilities due:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**2,896**	2,825
Between 1 and 2 years	**2,717**	1,396
Between 2 and 5 years	**3,792**	–
	9,405	4,221

15 Right-of-use assets (Continued)

(c) The amounts recognized in the consolidated statement of comprehensive income and cash flows are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Land use rights	**310**	291
Buildings	**3,392**	2,729
Interest expense *(Note 11)*	**300**	244
Expense relating to short-term leases	**477**	318
The cash outflow for leases as operating activities	**(477)**	(318)
The cash outflow for leases as financing activities	**(4,498)**	(2,917)

(d) Depreciation charge of right-of-use assets that has been recognized in the financial statements are as follows:

Amounts recognized in:		
Cost of sales *(Note 7)*	**1,031**	688
Research and development expenses *(Note 7)*	**840**	1,426
Administrative expenses *(Note 7)*	**760**	201
Other expenses *(Note 9)*	**435**	156
Selling and distribution expenses *(Note 7)*	**345**	258
	3,411	2,729
Amounts capitalized in:		
Property, plant and equipment *(Note 7)*	**291**	291
	3,702	3,020

16 Intangible assets

	Non-proprietary technologies *RMB'000*
As at January 1, 2020	
Cost	26,670
Accumulated amortization	(16,447)
Net book value	10,223
Year ended December 31, 2020	
Opening net book value	10,223
Amortization charge *(Note 7)*	(2,667)
Closing net book value	7,556
As at December 31, 2020	
Cost	26,670
Accumulated amortization	(19,114)
Net book value	7,556
As at January 1, 2021	
Cost	**26,670**
Accumulated amortization	**(19,114)**
Net book value	**7,556**
Year ended December 31, 2021	
Opening net book value	**7,556**
Amortization charge *(Note 7)*	**(2,667)**
Closing net book value	**4,889**
As at December 31, 2021	
Cost	**26,670**
Accumulated amortization	**(21,781)**
Net book value	**4,889**

16 Intangible assets (Continued)

(a) Amortization of intangible assets has been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Research and development expenses *(Note 7)*	**2,667**	2,667

17 Financial instruments by category

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Financial assets at amortized cost		
Cash and cash equivalents *(Note 22)*	**1,418,359**	59,556
Term deposits *(Note 22)*	**1,500,000**	100,000
Trade receivables *(Note 20)*	**446**	129
Prepayment, other receivables and other current assets (excluding non-financial assets) *(Note 19)*	**6,118**	3,842
	2,924,923	163,527

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Financial assets at FVPL *(Note 21)*	**10,515**	157,700

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Financial liabilities at amortized cost		
Trade and other payables (excluding non-financial liabilities) *(Note 26)*	**46,443**	24,398
Lease liabilities *(Note 15)*	**9,405**	4,221
Borrowings *(Note 27)*	**–**	30,000
	55,848	58,619

18 Inventories

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Raw materials	**34,225**	17,216
Finished goods	**16,761**	6,971
Work in progress	**6,286**	4,806
	57,272	28,993

As at December 31, 2021 and 2020, no inventory provision was provided as the inventory's net realisable value was higher than its carrying amounts.

19 Prepayments, other receivables and other current assets

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Included in non-current assets		
Prepayments:		
Prepayments for purchase of property, plant and equipment	**5,790**	4,099
Other receivables:		
Deposits for leases	**1,014**	–
Total	**6,804**	4,099
Included in current assets		
Prepayments:		
Prepayments for purchase of goods	**23,636**	10,694
Prepayments for purchase of service	**5,764**	2,854
Other receivables:		
Deposits for industrial land project performance guarantee and leases	**3,147**	3,446
Staff advances	**68**	75
Others	**131**	321
Less: loss allowance	**(9)**	–
Others:		
Value-added tax recoverable	**3,112**	6,374
Accrued interest receivable	**1,767**	–
Total	**37,616**	23,764

20 Trade receivables

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables from contracts with customers	**458**	129
Less: loss allowance	**(12)**	–
	446	129

The Group applies the IFRS 9 simplified approach to measure expected credit losses which use a life time expected loss allowance for all trade receivables. Note 3.1 provides for details about the calculation of the allowance.

As at December 31, 2021 and 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Up to 3 months	**458**	128
Over 6 months	**–**	1
	458	129

The carrying amounts of the Group's trade receivables are denominated in RMB and approximate their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above.

As at December 31, 2021, a provision of RMB12,000 was made against the gross amounts of trade receivables.

21 Financial assets at fair value through profit or loss

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Investment in venture fund (a)	**10,515**	–
Wealth management products (b)	**–**	157,700
	10,515	157,700

(a) On September 1, 2021, the Company entered into an agreement with a venture fund which makes investments in the healthcare sector. The Company subscribed for non-voting participating shares of the Fund.

(b) The Group entered into contracts to subscribe wealth management products from banks with expected but not guaranteed rates of return ranging from 1.5% to 3.5% per annum for the years ended December 31, 2021 and 2020. The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence they are designated as financial assets at FVPL as at December 31, 2020. As at December 31, 2021, the balance of wealth management products was nil as the Group redeemed all wealth management products before year end.

22 Cash and cash equivalents and term deposits

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Cash in bank and financial institution	**2,918,359**	159,556
Less: term deposits with initial term of over three months (a)	**(1,500,000)**	(100,000)
	1,418,359	59,556

22 Cash and cash equivalents and term deposits (Continued)

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents and term deposits are denominated in:		
— RMB	**2,583,994**	128,610
— HKD	**329,221**	–
— USD	**5,144**	30,946
	2,918,359	159,556

(a) The directors of the Company considered that the carrying amount of the term deposits with initial terms of over three months approximated to their fair value as at December 31, 2021.

23 Share capital/paid-in capital and share premium

	Number of ordinary shares	**Share capital/ paid-in capital** *RMB'000*	**Share premium** *RMB'000*	**Treasury shares** *RMB'000*	**Total** *RMB'000*
As at December 31, 2019 and January 1, 2020	N/A	182,643	–	–	182,643
Capital injection from equity holders before initial public offering (a)	N/A	42,419	–	–	42,419
As at December 31, 2020 and January 1, 2021	N/A	225,062	–	–	225,062
Capital injection from equity holders before initial public offering (a)	**N/A**	**38,339**	**–**	**–**	**38,339**
Conversion into a joint stock company (b)	**263,401,001**	**–**	**–**	**–**	**–**
Issue of shares from initial public offering (c)	**69,000,000**	**69,000**	**2,270,033**	**–**	**2,339,033**
Purchase of treasury shares (d)	**–**	**–**	**–**	**(9,149)**	**(9,149)**
As at December 31, 2021	**332,401,001**	**332,401**	**2,270,033**	**(9,149)**	**2,593,285**

23 Share capital/paid-in capital and share premium (Continued)

(a) Pursuant to the employee incentive plan through Zhuhai Guichuang Equity Investment Center (Limited Partnership) which is set out in Note 25, total capital of RMB12,000,000 was injected into the Company during the year ended December 31, 2020 with RMB10,958,575 and RMB1,041,425 credited to the Company's paid-in capital and other reserves, respectively.

In September 2020, the Company entered into capital increase agreement with its investors pursuant to which total capital of RMB275,875,766 (equivalent to USD41,323,841) and RMB48,500,000 was received by the Company during the year ended December 31, 2020 with RMB31,460,241 and approximately RMB292,915,525 credited to the Company's paid-in capital and other reserves, respectively.

The above transactions during the year ended December 31, 2020 resulted in increases in paid-in capital and other reserves of RMB42,418,816 and RMB293,956,950 respectively.

On January 19, 2021, Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership), which was controlled by Jonathon Zhong Zhao, entered into a subscription agreement with the Company to increase registered capital of RMB9,577,095 at the consideration of RMB20,400,000 for the purpose of the Employee Incentive Scheme.

On January 20, 2021, several new investors and the existing equity holders of the Company entered into a capital increase agreement to subscribe for the increased registered capital of RMB28,762,178 at a total consideration of USD76,000,000 (equivalent to RMB493,173,273).

The above transactions during the year ended December 31, 2021 resulted in increases in paid-in capital and other reserves of RMB38,339,273 and RMB475,235,000 respectively.

(b) In March 2021, the Company was converted from a limited liability company into a joint stock company with limited liability under PRC Company Law. The net assets of the Company as at the conversion base date, including paid-in capital, other reserve and accumulated losses, amounting to RMB974,022,365 were converted into 263,401,001 ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserve.

23 Share capital/paid-in capital and share premium (Continued)

(c) On July 5, 2021, the Company successfully completed its initial global offering of 60,000,000 shares at HK$42.70 per H Share, and its shares were listed on the Main Board of the Stock Exchange. The gross proceeds from initial public offering amounted to HK$2,562 million, which approximated to RMB2,134 million.

On July 25, 2021, the Over-allotment Option described in the Prospectus has been fully exercised by the Joint Representatives, on behalf of the International Underwriters, in respect of an aggregate of 9,000,000 H Shares at the Offer Price of HK$42.70 per H Share. The gross proceeds from the full exercise of the Over-allotment Option amounted to HK$384.3 million, which approximated to RMB321 million.

Gross proceeds from global offering after the completion of the full exercise of the Over-allotment Option amounted to HK$2,946.3 million, which approximately to RMB2,455 million.

(d) On August 13, 2021, the Company entered into an agreement with Futu Trustee Limited (the "**Trustee**"), where Trustee will purchase shares from the open market and hold on trust for the eligible employees for 2021 H Share Award and Trust Scheme. As at December 31, 2021, 485,500 shares in the amount of RMB9,149,128 had been purchased, at average price of HK$23.05 per share and were held as treasury shares.

24 Other reserves

	Capital reserve *RMB'000*	Share-based compensation expenses *RMB'000*	Others *RMB'000*	Total *RMB'000*
As at January 1, 2020	158,966	40,061	45,052	244,079
Share-based compensation expenses *(Note 25)*	–	23,111	–	23,111
Capital injection from equity holders *(Note 23)*	293,957	–	–	293,957
As at December 31, 2020	452,923	63,172	45,052	561,147
As at January 1, 2021	**452,923**	**63,172**	**45,052**	**561,147**
Share-based compensation expenses *(Note 25)*	**–**	**76,211**	**–**	**76,211**
Capital injection from equity holders *(Note 23)*	**475,235**	**–**	**–**	**475,235**
Conversion into a joint stock company *(Note 23)*	**(271,586)**	**–**	**–**	**(271,586)**
As at December 31, 2021	**656,572**	**139,383**	**45,052**	**841,007**

25 Share-based payments

(a) Employee Incentive Scheme

(i) Certain eligible employees of the Group were granted with shares of the Company through Hangzhou Fujiang Investment Partnership (Limited Partnership), Zhuhai Tongqiao Investment Center (Limited Partnership) and Zhuhai Guichuang Equity Investment Center (Limited Partnership) as rewards for their services and in exchange for their full-time devotion and professional expertise. Under these employee incentive schemes, the employees were required to complete a service period and meet specified performance targets.

The fair value of services received in return for a share award granted is measured by reference to the fair value of the share award granted less the consideration received by the Group. The fair value of the share award granted is measured at the market value of the share award at the grant date, which is by reference to the transaction value during the recent rounds of financing.

(ii) Movements in the number of shares (in thousand) granted but not vested for the for the years ended 2021 and 2020 are as follows:

	Year ended December 31,	
	2021	2020
At the beginning of year	**13,430**	2,874
Granted during the year	**–**	11,424
Vested during the year	**(21)**	(868)
Forfeited during the year	**(731)**	–
At the end of year	**12,678**	13,430

(b) Pre-IPO Share Option Scheme

On January 18, 2021, the Board of Directors ratified and adopted an equity-settled Pre-IPO Share Option Scheme with an aggregate of 4,788,547 shares of the Company. All the options were granted to certain eligible employees of the Group (collectively, the "**Grantees**") in June 2021 and will be vested in batches on vesting dates and shall be subject to the Group's and the relevant Grantee's performance target. The first batch is vested in December 2021.

25 Share-based payments (Continued)

(b) Pre-IPO Share Option Scheme (Continued)

(i) The movements in the number of share options outstanding and their related exercise prices under the Pre-IPO Share Option Scheme are as follows:

	Exercise price per share *RMB*	Outstanding options
As at January 1, 2021		
Granted during the year	2.13	4,788,547
Vested during the year	2.13	(1,407,833)
Forfeited during the year	2.13	(95,770)
As at December 31, 2021	2.13	3,284,944

(ii) The share options outstanding as at December 31, 2021 have the following vesting dates and exercise prices:

Vesting date	Exercise price per share *RMB*	Number of options
December 1, 2022	2.13	1,407,833
December 3, 2023	2.13	1,877,111
	2.13	3,284,944

The contractual life of above options is ten years.

(iii) Fair value of options granted

The fair value at grant date is independently determined using binomial model, the significant inputs were listed as below:

	Pre-IPO Share Option Scheme
Expected price volatility	59%
Expected option life (year)	10
Risk free interest rate	3.38%
Fair value of ordinary shares *(RMB)*	25.68–25.90

25 Share-based payments (Continued)

(b) Pre-IPO Share Option Scheme (Continued)

(iii) Fair value of options granted (Continued)

The volatility factor estimated was based on the historical share price movement of the comparable companies for the period close to the expected time to exercise.

(c) Expenses arising from share-based payment transactions

Total expense for the share-based payments has been charged to the consolidated statement of comprehensive income as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Research and development expenses	**39,548**	6,678
Administrative expenses	**20,694**	11,848
Selling and distribution expenses	**15,892**	4,191
Cost of sales	**77**	394
Total	**76,211**	23,111

26 Trade and other payables

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Trade payables (a)	**14,114**	4,604
Staff salaries and welfare payables	**35,396**	18,595
Payables for purchase of property, plant and equipment	**22,450**	18,717
Payables to suppliers of service	**7,463**	839
Accrued taxes other than income tax	**4,468**	665
Accrued listing expenses	**1,762**	–
Others	**654**	238
	86,307	43,658

26 Trade and other payables (Continued)

(a) The ageing analysis of trade payables based on invoice date at the respective balance sheet dates is as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**14,114**	4,513
Between 1 and 2 years	**–**	91
	14,114	4,604

27 Borrowings

	As at December 31,			
	2021		2020	
	RMB'000		*RMB'000*	
	Current	**Non-Current**	Current	Non-Current
Secured				
Bank loans				
— secured by property, plant and equipment (a)	**–**	**–**	3,750	26,250
Total Secured borrowings	**–**	**–**	3,750	26,250

(a) On December 24, 2019, the Group entered into a loan agreement with a total amount of RMB30,000,000, of which RMB4,500,000 and RMB25,500,000 was drawn down in 2019 and 2020 respectively. The interests were paid monthly at a rate of 4.90% per annum. Certain property, plant and equipment (Note 14) and right-of-use assets (Note 15) of the Group have been pledged as collateral under this loan agreement, with carrying amount of RMB105,049,000 as at December 31, 2020. All collateral borrowings were fully repaid before December 31, 2021.

27 Borrowings (Continued)

(b) As at December 31, 2021 and 2020, the Group's borrowings were repayable as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**–**	3,750
Between 1 and 2 years	**–**	3,750
Between 2 and 5 years	**–**	22,500
	–	30,000

The carrying amounts of borrowings were denominated in RMB.

28 Cash used in operations

(a) Reconciliation of loss before income tax to net cash used in operations

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the year before income tax	**(199,689)**	(100,468)
Adjustments for:		
— Depreciation of property, plant and equipment *(Note 7)*	**7,304**	4,242
— Amortization of intangible assets and depreciation of right-of-use assets *(Note 7) (Note 9)*	**6,078**	5,396
— Provision for bad debt	**21**	–
— Gains on disposal of property, plant and equipment *(Note 10)*	**(16)**	(29)
— Share-based compensation expenses *(Note 25)*	**76,211**	23,111
— Net fair value gains from financial assets at fair value through profit or loss *(Note 10)*	**(13,950)**	(1,623)
— Finance (income)/costs — net	**(12,787)**	306
— Net foreign exchange losses	**6,463**	601
	(130,365)	(68,464)
Changes in working capital:		
— Inventories	**(28,279)**	(19,038)
— Trade receivables	**(329)**	884
— Prepayments, other receivables and other current assets	**(13,108)**	(7,578)
— Trade and other payables	**44,548**	16,002
— Deferred income	**–**	(4,500)
	2,832	(14,230)
Cash used in operations	**(127,533)**	(82,694)

(b) Non-cash investing and financing activities

For the years ended December 31, 2021 and 2020, the Group did not have any material non-cash investing and financing activities.

28 Cash used in operations (Continued)

(c) Changes in liabilities from financing activities

	Short-term Liabilities		Long-term Liabilities	
	Lease Liabilities *RMB'000*	Borrowings *RMB'000*	Lease Liabilities *RMB'000*	Borrowings *RMB'000*
As at January 1, 2021	**2,825**	**3,750**	**1,396**	**26,250**
Cash flows	**(4,498)**	**(3,750)**	**–**	**(26,250)**
Increase of right-of-use assets *(Note 15)*	**3,629**	**–**	**5,753**	**–**
Other non-cash movements	**940**	**–**	**(640)**	**–**
As at December 31, 2021	**2,896**	**–**	**6,509**	**–**

	Short-term Liabilities		Long-term Liabilities	
	Lease Liabilities *RMB'000*	Borrowings *RMB'000*	Lease Liabilities *RMB'000*	Borrowings *RMB'000*
As at January 1, 2020	2,351	13,000	3,498	4,500
Cash flows	(2,917)	(9,250)	–	21,750
Increase of right-of-use assets *(Note 15)*	1,045	–	–	–
Other non-cash movements	2,346	–	(2,102)	–
As at December 31, 2020	2,825	3,750	1,396	26,250

29 Commitments and contingent liabilities

(a) Capital commitments

Capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	As at December 31,	
	2021 *RMB'000*	2020 *RMB'000*
Investment in venture fund	**21,668**	–
Property, plant and equipment	**8,467**	20,098
	30,135	20,098

29 Commitments and contingent liabilities (Continued)

(b) Operating lease commitments

Minimum lease payments under non-cancellable leases (short-term or low-value lease) for at the end of each reporting period but not recognized in the financial statements are as follows:

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
Operating lease contract	**376**	80

(c) The Group had no material contingent liabilities as at December 31, 2021.

30 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended December 31, 2021 and 2020.

(a) Name and relationship with related parties

Name of related party	Nature of relationship
Yang Xie (謝陽)	Director of the Company

(b) Transactions with related parties

(i) Repayment received from loan to director

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Yang Xie (謝陽)	**–**	500

30 Related party transactions (Continued)

(c) Key management compensation

Key management includes directors, supervisors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Share-based compensation expenses	**41,672**	12,320
Salaries, wages, housing fund, medical insurance and other social insurance	**8,705**	2,980
Discretionary bonuses	**7,984**	2,695
Pension cost — defined contribution plan	**165**	8
	58,526	18,003

31 Dividend

No dividend has been paid or declared by the Company during each of the years ended December 31, 2021 and 2020 respectively.

32 Subsequent events

Save as disclosed in this report, subsequent to December 31, 2021, the following subsequent events took place:

On January 17, 2022, the Company has signed an investment agreement with Wire Sciences Medical Technology (Suzhou) Co., Ltd (微亞醫療科技(蘇州)有限公司) ("**Wire Sciences**", a China-based innovative medical device company) as a strategic investor. The Company agreed to make cash contribution in the amount of RMB18 million to subscribe for 8% of the registered capital of Wire Sciences by June 30, 2022.

33 Balance sheet and reserves movements of the Company

Balance Sheet of the Company

	Note	As at December 31, 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	34	**230,439**	44,948
Property, plant and equipment		**169,284**	99,163
Right-of-use assets		**19,521**	15,404
Intangible assets		**4,889**	7,556
Prepayments and other receivables		**3,210**	2,764
Total non-current assets		**427,343**	169,835
Current assets			
Inventories		**35,023**	16,251
Prepayments, other receivables and other current assets		**56,539**	40,111
Trade receivables		**446**	129
Financial assets at fair value through profit or loss		**10,515**	149,500
Term deposits		**1,500,000**	100,000
Cash and cash equivalents		**1,269,462**	56,885
Total current assets		**2,871,985**	362,876
Total assets		**3,299,328**	532,711
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital/paid-in capital		**332,401**	225,062
Share premium		**2,270,033**	–
Other reserves		**775,223**	505,305
Treasury shares		**(9,149)**	–
Accumulated losses		**(131,356)**	(262,148)
Total equity		**3,237,152**	468,219

33 Balance sheet and reserves movements of the Company (Continued)

Balance Sheet of the Company (Continued)

	Note	As at December 31, 2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Borrowings		–	26,250
Lease liabilities		4,344	1,059
Total non-current liabilities		4,344	27,309
Current liabilities			
Trade and other payables		51,129	31,746
Contract liabilities		2,827	134
Borrowings		–	3,750
Lease liabilities		2,145	1,496
Other current liabilities		1,731	57
Total current liabilities		57,832	37,183
Total liabilities		62,176	64,492
Total equity and liabilities		3,299,328	532,711

Jonathon Zhong Zhao
Director

Yang Xie
Director

33 Balance sheet and reserves movements of the Company (Continued)

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

	Share premium *RMB'000*	Other reserves *RMB'000*	Treasury shares *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance as at January 1, 2020	–	194,908	–	(182,324)	12,584
Comprehensive income:					
Loss for the year	–	–	–	(79,824)	(79,824)
Transactions with equity holders of the Company:					
Capital injection from equity holders	–	293,957	–	–	293,957
Share-based compensation expenses	–	16,440	–	–	16,440
Balance as at December 31, 2020	–	505,305	–	(262,148)	243,157
Balance as at January 1, 2021	**–**	**505,305**	**–**	**(262,148)**	**243,157**
Comprehensive income:					
Loss for the year	**–**	**–**	**–**	**(140,794)**	**(140,794)**
Transactions with equity holders of the Company:					
Capital injection from equity holders	**–**	**475,235**	**–**	**–**	**475,235**
Conversion into a joint stock company	**–**	**(271,586)**	**–**	**271,586**	**–**
Issue of shares from initial public offering	**2,270,033**	**–**	**–**	**–**	**2,270,033**
Purchase of treasury shares	**–**	**–**	**(9,149)**	**–**	**(9,149)**
Share-based compensation expenses	**–**	**66,269**	**–**	**–**	**66,269**
Balance as at December 31, 2021	**2,270,033**	**775,223**	**(9,149)**	**(131,356)**	**2,904,751**

34 Subsidiaries

(a) The subsidiaries of the Group at the date of this report are set out below:

Company name	Country/place and date of incorporation /establishment and kind of legal entity	Issued ordinary/ Registered share capital	Effective interests held by the Group% as at the date of this report as at December 31,		Direct or Indirect	Principal activities and place of operation
			2021	2020		
Zhuhai Tonbridge	The PRC, February 26, 2016, limited liability company	RMB230,000,000	100%	100%	Direct	Research and development and production of neurovascular medical devices in Mainland China
Zylox Tonbridge Medical Limited	Hong Kong, March 17, 2021, limited liability company	USD2,000,000	100%	NA	Direct	Importation of materials and purchase of services in Hong Kong
Zhejiang Guichuang Medical Technology Co., Ltd.	The PRC, July 22, 2021, limited liability company	RMB50,000,000	100%	NA	Direct	Technical consultation and services, research and development, production and sales of medical devices in Mainland China
Tongqiao Medical Technology (Suzhou) Co., Ltd.	The PRC, August 24, 2021, limited liability company	RMB10,000,000	100%	NA	Indirect	Research and development, production and sales of medical devices in Mainland China
Shanghai Zhaowen Medical Technology Co., Ltd.	The PRC, September 22, 2021, limited liability company	RMB30,000,000	100%	NA	Direct	Technical consultation and services, research and development of medical devices in Mainland China
Hangzhou Guiqiao Medical Technology Co., Ltd.	The PRC, October 09, 2021, limited liability company	RMB30,000,000	100%	NA	Direct	Research and development, production and sales of medical devices in Mainland China

(i) None of the subsidiaries had issued any debt securities at the end of the year.

(b) Investments in subsidiaries

	As at December 31,	
	2021 *RMB'000*	2020 *RMB'000*
Interests in subsidiaries	214,868	44,948
Deemed capital contribution to subsidiaries (i)	15,571	–
	230,439	44,948

34 Subsidiaries (Continued)

(b) Investments in subsidiaries (Continued)

(i) The amounts represent the equity-settled share-based payments in respect of the respective share options granted by the Company to certain employees of the specified subsidiaries for employees' services rendered to the respective subsidiaries under the Company's employee option plan as disclosed in Note 25(b). Since the subsidiaries have no obligation to reimburse such expense, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

35 Benefits and interests of directors

(a) Directors', supervisors' and chief executive's emoluments

The remuneration of each director and supervisor paid or payable for the years ended December 31, 2021 and 2020 respectively is set out below:

	Fees *RMB'000*	Salaries *RMB'000*	Discretionary bonuses *RMB'000*	Share-based compensation expenses *RMB'000*	Pension cost-defined contribution plan *RMB'000*	Social security costs, housing benefits and employee welfare *RMB'000*	Total *RMB'000*
For the year ended December 31, 2021							
Chairman of the Board							
Jonathon Zhong Zhao (趙中) (i)	–	2,161	2,273	11,759	–	–	16,193
Non-executive directors							
Chunhui Men (門春輝) (ii)	–	–	–	–	–	–	–
Guoguang Zhu (朱國光) (v)	–	–	–	–	–	–	–
Yinghua Zhou (周穎華) (vi)	–	–	–	–	–	–	–
Steven Dasong Wang (王大松) (viii)	–	–	–	–	–	–	–
Stephen Hui Wang (王暉) (ix)	–	–	–	–	–	–	–
Hai Lu (陸海) (x)	–	–	–	–	–	–	–
Executive directors							
Yang Xie (謝陽) (iv)	–	1,200	740	4,086	58	81	6,165
Zheng Li (李崢) (vii)	–	1,200	2,078	5,032	38	57	8,405
Independent Non-executive directors							
Jian Ji (計劍) (xi)	167	–	–	–	–	–	167
Hongze Liang (梁洪澤) (xi)	167	–	–	–	–	–	167
Yun Qiu (邱紜) (xi)	167	–	–	–	–	–	167
	501	4,561	5,091	20,877	96	138	31,264
Supervisors							
Jie Liang (梁婕) (xii)	–	528	507	2,897	31	70	4,033
Chunhui Men (門春輝) (ii)	–	–	–	–	–	–	–
Hongbo Wang (王宏波) (xii)	–	309	396	1,112	38	57	1,912
	501	5,398	5,994	24,886	165	265	37,209

35 Benefits and interests of directors (Continued)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

	Fees *RMB'000*	Salaries *RMB'000*	Discretionary bonuses *RMB'000*	Share-based compensation expenses *RMB'000*	Pension cost-defined contribution plan *RMB'000*	Social security costs, housing benefits and employee welfare *RMB'000*	Total *RMB'000*
For the year ended December 31, 2020							
Chairman of the Board							
Jonathon Zhong Zhao (趙中) (i)	–	1,050	730	8,012	–	–	9,792
Non-executive directors							
Chunhui Men (門春輝) (ii)	–	–	–	–	–	–	–
Bing Chen (陳兵) (iii)	–	–	–	–	–	–	–
Guoguang Zhu (朱國光) (v)	–	–	–	–	–	–	–
Yinghua Zhou (周穎華) (vi)	–	–	–	–	–	–	–
Steven Dasong Wang (王大松) (viii)	–	–	–	–	–	–	–
Stephen Hui Wang (王暉) (ix)	–	–	–	–	–	–	–
Executive directors							
Yang Xie (謝陽) (iv)	–	685	590	1,171	5	68	2,519
Zheng Li (李崢) (vii)	–	616	725	1,966	3	51	3,361
	–	2,351	2,045	11,149	8	119	15,672

(i) Dr. Jonathon Zhong Zhao (趙中) was appointed as the chairman on November 6, 2012.

(ii) Mr. Chunhui Men (門春輝) was appointed as a director since November 6, 2012. He resigned as a director and was appointed as a shareholders' representative supervisor on March 2, 2021.

(iii) Dr. Bing Chen (陳兵) was appointed as a director since March 12, 2018 and resigned as a director on December 28, 2020.

(iv) Mr. Yang Xie (謝陽) was appointed as a director since March 12, 2018.

(v) Mr. Guoguang Zhu (朱國光) was appointed as a director since January 31, 2019 and resigned as a director on March 2, 2021.

(vi) Dr. Yinghua Zhou (周穎華) was appointed as a director since January 31, 2019 and resigned as a director on March 2, 2021.

(vii) Dr. Zheng Li (李崢) was appointed as a director since January 31, 2019.

35 Benefits and interests of directors (Continued)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

(viii) Dr. Steven Dasong Wang (王大松) was appointed as a director since October 13, 2020.

(ix) Mr. Stephen Hui Wang (王暉) was appointed as a director on November 5, 2015, resigned as a director on March 12, 2018 and was reappointed as a director since December 28, 2020.

(x) Dr. Hai Lu (陸海) was appointed as a non-executive director since March 2, 2021.

(xi) Dr. Jian Ji (計劍), Mr. Hongze Liang (梁洪澤) and Ms. Yun Qiu (邱妘) were appointed as independent non-executive directors since March 2, 2021.

(xii) Ms. Jie Liang (梁婕) and Ms. Hongbo Wang (王宏波) were appointed as employees' supervisors on March 2, 2021.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 and 3 directors for the years ended December 31, 2021 and 2020 respectively. Their emoluments are reflected in the analysis presented in Note 35(a). The emoluments to the remaining 3 and 2 individuals for the years ended December 31, 2021 and 2020 respectively are as follows:

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Share-based compensation expenses	**22,180**	2,997
Discretionary bonuses	**5,140**	938
Salaries, wages, housing fund, medical insurance and other social insurance	**3,619**	1,067
Pension cost — defined contribution plan	**58**	5
	30,997	5,007

35 Benefits and interests of directors (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Year ended December 31,	
	2021	2020
Emolument bands		
HK$2,500,001–HK$3,000,000	**–**	1
HK$3,000,001–HK$3,500,000	**–**	1
HK$11,000,001–HK$11,500,000	**1**	–
HK$12,500,001–HK$13,000,000	**1**	–
HK$13,500,001–HK$14,000,000	**1**	–
	3	2

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended December 31, 2021 and 2020.

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended December 31, 2021 and 2020.

(e) Consideration provided to third parties for making available directors' services

During the years ended December 31, 2021 and 2020, the Group did not pay consideration to any third parties for making available directors' services.

(f) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2021 and 2020..

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended December 31, 2021 and 2020.

"AIS — acute ischemic stroke"	one subtype of ischemic intracranial vascular diseases, which is caused by thrombotic or embolic occlusion of an intracranial artery
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"BGC — balloon guiding catheter"	a large lumen catheter with a compliance balloon at the distal tip of the catheter, intending to facilitate the insertion and guidance of an intravascular catheter
"Board of Directors" or "Board"	our board of Directors
"CE Mark"	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"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 report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Company", "our Company", "Group", "our Group", "We" "our" or "us"	Zylox-Tonbridge Medical Technology Co., Ltd. (歸創通橋醫療科技股份有限公司), a limited liability company incorporated in the PRC on November 6, 2012 and converted into a joint stock limited liability company incorporated in the PRC on March 2, 2021, whose predecessor was Zhejiang Zylox Medical Device Co., Ltd. (浙江歸創醫療器械有限公司) and the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 2190) and which includes its subsidiaries (from time to time) as required by the context
"Core Products"	Thrombite® CRD and Ultrafree® DCB, the designated "core products" as defined under Chapter 18A of the Listing Rules
"CRD — clot retriever device"	a minimally invasive device to capture and remove the clot blocking blood vessels to treat neurovascular diseases such as acute ischemic stroke
"DCB — drug-coated balloon"	angioplasty balloons (usually semi-compliant) coated with a cytotoxic chemotherapeutic agent
"Director(s)"	the director(s) of the Company or any one of them
"Domestic Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which are subscribed for or credited as paid in Renminbi
"DVT — deep vein thrombosis"	occurring when a blood clot forms in one or more of the deep veins in the body, usually in the leg

"Employee Incentive Platforms"	Hangzhou Fujiang Investment Partnership (Limited Partnership) (杭州涪江投資合夥企業(有限合夥)), Zhuhai Guichuang Equity Investment Center (Limited Partnership) (珠海歸創股權投資中心(有限合夥)), Zhuhai Tongqiao Investment Center (Limited Partnership) (珠海通橋投資中心(有限合夥)) and Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership) (湖州歸橋企業管理合夥企業(有限合夥))
"Frost & Sullivan"	Frost & Sullivan International Limited, an independent market, research and consulting company
"Global Offering"	the Hong Kong Public Offering and the International Offering (each as defined in the Prospectus)
"H Share(s)"	the overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange
"HKD" or "HK$"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"ischemic stroke"	a stroke caused by a blockage in an artery that supplies blood to the brain
"IVC — inferior vena cava"	a large vein that carries the deoxygenated blood from the lower and middle body into the right atrium of the heart
"IVCF — inferior vena cava filter"	a medical device implanted into the inferior vena cava to prevent blood clots from moving through blood into the lungs
"IVCS — iliac vein compression syndrome"	a syndrome in which the iliac vein is compressed by the iliac artery that spans from its front, resulting in changes such as intraluminal adhesion, luminal stenosis, or occlusion of the vein, which in turn causes obstruction of the iliac vein flow, producing a range of clinical symptoms
"Joint Representatives"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only) and CLSA Limited
"KOL(s)"	Key Opinion Leader(s), renowned physicians that are able to influence their peers' medical practice
"Latest Practicable Date"	April 7, 2022, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information contained herein
"LINC"	Leipzig Interventional Course, an interdisciplinary live course widely regarded as one of the most authoritative industry events for the discussion of advanced technologies used in endovascular interventions

"Listing" or "IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on July 5, 2021
"Listing Date"	the date on which our H Shares are listed and from which dealings are permitted to take place on the Stock Exchange, being July 5, 2021
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended or supplemented from time to time)
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM of the Hong Kong Stock Exchange
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NMPA"	National Medical Products Administration of the People's Republic of China
"Nomination Committee"	the nomination committee of the Board
"non-inferiority clinical trial"	a clinical trial that tests whether a new treatment is not worse than an active treatment it is being compared to
"Over-allotment Option"	the over-allotment option which had been granted by the Company to the relevant underwriters to allot and issue up to an aggregate of 9,000,000 additional H Shares, representing 15% of the offer shares initially available under the Global Offering
"PE — pulmonary embolism"	a blockage in one of the pulmonary arteries in the lungs. Caused by blood clots that travel to the lungs from deep veins in the legs or, rarely, from veins in other parts of the body
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法)
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme of our Company approved and adopted by the Board on January 18, 2021, as amended from time to time
"Prospectus"	the prospectus issued by the Company dated June 22, 2021
"PTA — percutaneous transluminal angioplasty"	a percutaneous interventional procedure that can open up blocked peripheral arteries using a catheter with a balloon at the end of it, allowing blood to circulate unobstructed
"Relevant Period"	the period from the Listing Date to December 31, 2021
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the one-year period from January 1, 2021 to December 31, 2021

"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (as amended from time to time)
"Share(s)"	the ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	the holder(s) of the Shares
"Single Largest Group of Shareholders"	refers to Dr. Jonathon Zhong Zhao (趙中), Dr. Shengping Sam Zhong (鍾生平), Dr. Zheng Li (李崢), Ms. Na Wei (衛娜), Zhuhai Tongqiao Investment Center (Limited Partnership) (珠海通橋投資中心(有限合夥)), Hangzhou Fujiang Investment Partnership (Limited Partnership) (杭州涪江投資合夥企業(有限合夥)), Zhuhai Guichuang Equity Investment Center (Limited Partnership) (珠海歸創股權投資中心(有限合夥)), Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership) (湖州歸橋企業管理合夥企業(有限合夥)), WEA Enterprises, LLC and Huzhou Yuyihui Investment Partnership (Limited Partnership) (湖州語意慧投資合夥企業(有限合夥)) (formerly known as Nanjing Yuyihui Investment Partnership (Limited Partnership) (南京語意慧投資合夥企業(有限合夥))
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	member(s) of the supervisory committee of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Unlisted Foreign Shares"	ordinary share(s) issued by the Company, with a nominal value of RMB1.0 each, which is/are subscribed for or credited as paid in a currency other than Renminbi, held by foreign investors and not listed on any stock exchange
"USD"	United States dollars, the lawful currency of the United States of America
"vascular intima"	the inner layer of the blood vessel that is in contact with blood flow
"VCD — vascular closure device"	a medical device used to achieve hemostasis of the small hole in the artery after a cardiovascular procedure of endovascular surgery requiring a catheterization
"%"	percent