



LifeTech Scientific Corporation 先健科技公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302



ANNUAL
REPORT
2022

CONTENTS

Corporate Information	2
Financial Summary	4
Chairman's Statement	5
Management Discussion and Analysis	7
Biographical Details of Directors and Senior Management	19
Corporate Governance Report	23
Directors' Report	39
Independent Auditor's Report	62
Consolidated Statement of Profit or Loss and Other Comprehensive Income	67
Consolidated Statement of Financial Position	68
Consolidated Statement of Changes in Equity	70
Consolidated Statement of Cash Flows	72
Notes to the Consolidated Financial Statements	74
Properties Held for Investment	172



CORPORATE INFORMATION

As at 29 March 2023

EXECUTIVE DIRECTORS

XIE Yuehui

(Chairman and Chief Executive Officer)

LIU Jianxiong

*(Executive Vice President, Chief Financial Officer
and Company Secretary)*

NON-EXECUTIVE DIRECTORS

JIANG Feng

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph

WANG Wansong

ZHOU Luming

COMPANY SECRETARY

LIU Jianxiong

AUTHORISED REPRESENTATIVES

XIE Yuehui

LIU Jianxiong

AUDIT COMMITTEE

LIANG Hsien Tse Joseph *(Chairman)*

ZHOU Luming

WANG Wansong

NOMINATION COMMITTEE

ZHOU Luming *(Chairman)*

XIE Yuehui

LIANG Hsien Tse Joseph

REMUNERATION COMMITTEE

WANG Wansong *(Chairman)*

XIE Yuehui

LIANG Hsien Tse Joseph

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road, Hong Kong

WEBSITE

www.lifetechmed.com

STOCK CODE

1302

LISTING DATE ON THE GROWTH ENTERPRISE MARKET

10 November 2011

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

6 November 2013

PRINCIPAL BANKERS

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

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

HONG KONG LEGAL ADVISOR

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

AUDITOR

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

REGISTERED OFFICE IN CAYMAN ISLANDS

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

**PRINCIPAL PLACE OF BUSINESS AND
ADDRESS OF HEADQUARTERS**

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

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

31/F, 148 Electric Road
North Point
Hong Kong

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE**

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

FINANCIAL SUMMARY

FINANCIAL SUMMARY

	Year ended 31 December		
	2022 RMB'000	2021 RMB'000	Change
Revenue	1,097,310	925,334	18.6%
Gross profit	873,928	747,534	16.9%
Operating profit	368,434	328,739	12.1%
Profit before tax	378,046	332,928	13.6%
Profit for the year attributable to owners of the Company	325,337	292,472	11.2%
Earnings per share			
– Basic	RMB7.7 cents	RMB6.8 cents	13.2%
– Diluted	RMB7.4 cents	RMB6.4 cents	15.6%

FIVE YEARS' FINANCIAL SUMMARY

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	1,097,310	925,334	642,299	668,879	556,698
Profit for the year	318,739	283,357	207,043	127,164	121,353
Assets					
Non-current assets	2,293,445	1,346,643	1,409,703	1,166,425	953,147
Current assets	1,396,658	1,837,072	1,544,846	605,801	577,985
Total assets	3,690,103	3,183,715	2,954,549	1,772,226	1,531,132
Liabilities					
Current liabilities	584,735	481,907	493,601	341,223	208,271
Non-current liabilities	184,311	171,706	102,458	269,341	78,971
Total liabilities	769,046	653,613	596,059	610,564	287,242
Total equity	2,921,057	2,530,102	2,358,490	1,161,662	1,243,890

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors (collectively, the "Directors", and each a "Director") of LifeTech Scientific Corporation (the "Company" or "Lifetech"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022.

FINANCIAL REVIEW

In 2022, the world political and economic landscape is going through even greater turbulence and transformation, exacerbated by constant interruptions to economic recovery due to recurrent outbreaks of COVID-19 and the Russia-Ukraine conflicts, and further disruptions to the global supply chain, accompanied by greater uncertainties in economic development. Despite this, the Group still achieved a revenue of approximately RMB1,097.3 million for the year ended 31 December 2022 as compared to approximately RMB925.3 million for the corresponding period of 2021, representing an increase of approximately 18.6%. Gross profit was approximately RMB873.9 million for the year ended 31 December 2022 as compared to approximately RMB747.5 million for the corresponding period of 2021, representing an increase of approximately 16.9%.

Net profit attributable to owners of the Company for the year ended 31 December 2022, excluding certain non-recurring items, was approximately RMB429.3 million as compared to the net profit amounting to approximately RMB324.0 million in 2021, representing an increase of approximately 32.5%. Such non-recurring items included (i) the other gains and losses resulting from financial assets at fair value through profit or loss, which was losses of approximately RMB41.3 million for 2022 in comparison with losses of approximately RMB11.8 million in 2021, increased by approximately RMB29.5 million; and (ii) the share-based payment expenses which were approximately RMB62.7 million for 2022 in comparison with approximately RMB19.7 million in 2021, increased by approximately RMB43.0 million.

OPERATION REVIEW

The sales of the Group have been continuously increasing due to our constant marketing efforts and our enhanced brand image. We have also achieved great breakthroughs in research and development, Fitaya™ Vena Cava Filter System, FemCross™ 35 Peripheral Balloon Dilatation Catheter and Ankura™ Ilc Stent Graft System have obtained official registration approval from the National Medical Products Administration in China ("NMPA"). IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System completed the enrollment in the China Prospective Multicenter Randomized Controlled Clinical Study, and clinical enrollment in the China Prospective Multicenter Single-arm Target Study was initiated. LAmbre™ Plus Left Atrial Appendage Closure System obtained medical insurance coverage in the US of an investigator-initiated clinical trial which was initiated by the investigator, and all patients enrolled will receive full medical coverage. KONAR-MF™ Ventricular Septal Defect Occluder and LAmbre™ Left Atrial Appendage Closure System were successfully completed the first implantations in Japan and Korea respectively. Additionally, more than a dozen of our products are currently in the clinical trial stage or under registration. Besides, Aortic Arch Stent Graft System (consisting of the Ankura™ Plus Aortic Arch Stent Graft System and CSkirt™ Aortic Arch Branch Stent Graft System) had passed the special review application of the NMPA and had been approved as innovative medical device. As at the date of this annual report, 15 products of the Company have been approved as innovative medical devices by the NMPA.

CHAIRMAN'S STATEMENT

The Group also has received various awards in 2022, such as the "Single Champion Product in Manufacturing" award awarded by the Ministry of Industry and Information Technology of the People's Republic of China ("PRC") and China Federation Of Industrial Economics in respect of the "Congenital Heart Diseases Occluders", which is the only product in the field of minimally invasive cardiovascular and cerebrovascular interventional medical devices in the batch list; a Guangdong Patent gold award awarded by Guangdong Intellectual Property Administration in respect of the "Braided Intraluminal Stent", and the G-Branch™ Thoracoabdominal Artery Stent Graft System jointly developed by the Group and Chinese PLA General Hospital won the first prize of second annual "Innovation In Vascular Surgery & Endovascular Therapies Award" awarded by Frank J. Veith International Society, which is the only chinese innovation product that won the award, and also won the first prize of the Chinese Medical Device Innovation and Entrepreneurship Competition. In addition, Lifetech Scientific (Shenzhen) Co., Ltd. (先健科技(深圳)有限公司) ("Lifetech Shenzhen"), a wholly-owned subsidiary of the Company, was listed among the Top 50 Guangdong-Hong Kong-Macao Greater Bay Area Biotechnology Innovation Enterprise List in 2022. These awards were recognitions of the Group's past efforts and contributions, as well as they consolidate the Group's core values and promote its strategic development.

PROSPECTS

After years of development, China has become the second largest medical device market in the world. In terms of development space, driven by multiple factors such as catalyzed by the COVID-19, GDP growth, improvement of social consumption level, accelerated aging of population, urbanization and upgrading of consumption structure, the total industrial output value and sales of medical device industry in China are expected to maintain a steady growth. The opportunities for China's medical device industry in the future are much greater than the challenges, and the outlook is promising.

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

We will continue to evaluate and explore acquisitions, partnerships, alliances and licensing opportunities in 2023, so as to enhance our competitiveness and market position in current key markets as well as selective new markets, and ultimately to realise the Company's strategic target in the global health industry.

APPRECIATION

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

XIE Yuehui

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 29 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

Annual performances

In 2022, the market demand arising from aging population, urbanization and the increase of health awareness by the public is the driving force for steady industry growth. During the year, the Group leveraged on its advantages in brand image, strengthened academic promotion such as hosting live demonstrations, online seminars and experience sharing sessions by medical professionals, and optimised resources allocation to promote the Group’s research and development projects, so as to seize opportunities to further develop its business amidst a changing and challenging environment.

During the year ended 31 December 2022, the Group achieved a revenue of approximately RMB1,097.3 million, representing an increase of approximately RMB172.0 million or approximately 18.6% as compared to the revenue of approximately RMB925.3 million for the year ended 31 December 2021. China’s mainland remained our largest market, where sales generated from the Chinese market accounted for approximately 81.6% of our total revenue for the year ended 31 December 2022 (2021: approximately 83.6%). Meanwhile, Asia (excluding China’s mainland) and Europe were our two largest overseas markets, which accounted for approximately 7.8% and 6.6% of our total revenue for the year ended 31 December 2022, respectively (2021: approximately 5.6% and 7.4%, respectively). Despite the multiple challenges of the COVID-19 pandemic, the domestic sales and overseas sales of the Group still increased by approximately 15.6% and 33.7%, respectively, as compared with the corresponding period of 2021, which was mainly attributable to (i) the effective marketing strategies; and (ii) the increased penetration of our products in the market.

Sales and marketing

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

Research and development ("R&D")

Independently developed innovative domestic medical device products maintain the competitive strengths of the Company, and also provide more effective treatments to patients around the world. In 2022, the Company continuously strengthened its innovation capabilities and accelerated the development of products, to maintain its leading position in the industry.

During the year ended 31 December 2022, we have made the following main progress in the R&D field:

- Fitaya™ Vena Cava Filter System, FemCross™ 35 Peripheral Balloon Dilatation Catheter and Ankura™ IIc Stent Graft System obtained official registration approval from the NMPA;
- Absnow™ Absorbable Atrial Septal Defect Closure System and AcuMark™ Sizing Balloon are under the registration approval in China;
- Aortic Arch Stent Graft System (consists of the Ankura™ Plus Aortic Arch Stent Graft System and CSkirt™ Aortic Arch Branch Stent Graft System) was approved as innovative medical device in China. At present, 15 products of the Company have been approved as innovative medical devices by the NMPA;
- LAmbre™ Plus Left Atrial Appendage Closure System obtained medical insurance coverage in the US of an investigator-initiated clinical trial which was initiated by the investigator, and all patients enrolled will receive full medical coverage;
- Ankura™ Chimney Aortic Stent Graft System (consists of the Ankura™ Pro Aortic Stent Graft System and Longuette™ Aortic Branch Stent Graft System) has completed its one-year clinical follow-up in China and are working on the clinical summary report;
- Aortic Arch Stent Graft System (consists of the Ankura™ Plus Aortic Arch Stent Graft System and CSkirt™ Aortic Arch Branch Stent Graft System) and Futhrough™ Endovascular Needle System have completed pre-marketing clinical enrollments in China;
- G-Branch™ Thoracoabdominal Artery Stent Graft System is currently at the stage of the pre-marketing clinical enrollments in China;

MANAGEMENT DISCUSSION AND ANALYSIS

- IBS Angel™ Iron Bioresorbable Scaffold System (the only absorbable stent product suitable for children in the world) was approved in the United States by the Food and Drug Administration for “Compassionate Use” and successfully implanted, and its pre-marketing clinical trials in China are in progress;
- IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System was completed the enrollment in the China Prospective Multicenter Randomized Controlled Clinical Study (the “Phase II”), and clinical enrollment in the China Prospective Multicenter Single-arm Target Study (the “Phase III”) will be initiated. The Phase II took nine months from the first enrollment in March 2022 to the completion of all enrollments. Up to now, the device and surgery success rates are both 100% and no device-related serious adverse events (SAE) have occurred;
- The study on the first in man of Concave Supra-arch branched stent-graft system was approved and was successfully implanted for the first time in China;
- KONAR-MF™ Ventricular Septal Defect Occluder was successfully implanted at the Pediatric Heart Disease & Adult Congenital Heart Disease Center of Showa University Hospital, which was the first implantation and first clinical application of our products in Japan; and
- LAmbre™ Left Atrial Appendage Closure System was successfully completed a dozen of implantations in Korea after receiving registration approval from the Ministry of Food and Drug Safety.

PATENTS AND BRANDING

Intellectual property is an important intangible asset of the Group, and is also an internal driving force for improving our core competitiveness in the medical device market. During the year ended 31 December 2022, the Group had filed 306 patent applications while 168 patents were registered. As at 31 December 2022, the Group had filed a total of 1,828 valid patent applications, of which 749 patents were registered and valid.

FINANCIAL REVIEW

Overview

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

Revenue

The revenue of the Group was approximately RMB1,097.3 million for the year ended 31 December 2022, representing an increase of approximately RMB172.0 million or approximately 18.6% from approximately RMB925.3 million for the year ended 31 December 2021. This increase was mainly due to the increase in revenue from the sales of stent grafts and congenital heart diseases occluders.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from structural heart diseases business

The turnover contributed by the structural heart diseases business for the year ended 31 December 2022 was approximately RMB394.6 million, representing a growth of approximately 19.2% from approximately RMB331.1 million for the year ended 31 December 2021.

With the diversification of product portfolio, our products cover a wide spectrum of the structural heart diseases business, which mainly include LAA occluders and three generations of congenital heart diseases occluders namely HeartR, Cera and CeraFlex. As compared to the year ended 31 December 2021, the revenue generated from the sales of congenital heart diseases occluders and LAA occluders for the year ended 31 December 2022 increased by approximately 26.2% and 8.4%, respectively.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2022 was approximately RMB644.3 million, representing a growth of approximately 17.5% from approximately RMB548.5 million for the year ended 31 December 2021.

The products we offered in the peripheral vascular diseases business mainly include vena cava filters, Thoracic Aortic Aneurysm stent grafts, Abdominal Aortic Aneurysm stent grafts and Iliac Artery Bifurcation stent grafts. As compared to the year ended 31 December 2021, the revenue generated from the sales of stent grafts for the year ended 31 December 2022 increased by approximately 23.3%, while vena cava filters decreased by approximately 4.6%.

Revenue from cardiac pacing and electrophysiology business

The turnover contributed by the cardiac pacing and electrophysiology business for the year ended 31 December 2022 was approximately RMB58.4 million, representing a growth of approximately 27.8% from approximately RMB45.7 million for the year ended 31 December 2021.

Gross profit and gross profit margin

Gross profit of the Group increased by approximately 16.9% from approximately RMB747.5 million for the year ended 31 December 2021 to approximately RMB873.9 million for the year ended 31 December 2022. Gross profit margin decreased 1.2 percentage points from approximately 80.8% for the year ended 31 December 2021 to approximately 79.6% for the year ended 31 December 2022. This decrease was mainly due to (i) the change of sales portfolio and the sales of high gross profit margin products decreased; and (ii) the increase in the unit cost of products, especially for the increase in material and transportation costs.

Other income, expenses, gains and losses

Other income, expenses, gains and losses increased from approximately RMB9.8 million for the year ended 31 December 2021 to approximately RMB52.6 million for the year ended 31 December 2022, which was mainly due to the increase in net foreign exchange gains.

Selling and distribution expenses

Selling and distribution expenses increased by 26.3% from approximately RMB194.2 million for the year ended 31 December 2021 to approximately RMB245.2 million for the year ended 31 December 2022. This increase was mainly due to (i) an increase in staff costs resulting from the increase in the share-based payment expenses; and (ii) an increase in royalty fee paid and payable to Medtronic, Inc. and its affiliates.

Administration expenses

Administration expenses increased by 5.7% from approximately RMB97.0 million for the year ended 31 December 2021 to approximately RMB102.5 million for the year ended 31 December 2022. This increase was mainly due to the increase in staff costs resulting from the increase in the share-based payment expenses.

Research and development expenses

Research and development expenses increased by 42.9% from approximately RMB145.9 million for the year ended 31 December 2021 to approximately RMB208.5 million for the year ended 31 December 2022. In addition, during the year ended 31 December 2022, approximately RMB109.0 million (2021: approximately RMB66.6 million) was capitalised in development expenditure. Considering such capitalised expenditure, research and development cost increased by approximately 49.4% from approximately RMB212.5 million for the year ended 31 December 2021 to approximately RMB317.5 million for the year ended 31 December 2022. This increase was mainly due to (i) an increase in developing projects expenditure driven by the accelerated progress in the R&D projects, especially for the significant increase in clinical trials; and (ii) an increase in staff costs.

Operating profit

Operating profit increased by approximately 12.1% from approximately RMB328.7 million for the year ended 31 December 2021 to approximately RMB368.4 million for the year ended 31 December 2022. This increase was primarily due to (i) a growth of gross profit; and (ii) an increase in net foreign exchange gains.

Share of results of associates

The Group's share of losses in associates was approximately RMB1.8 million for the year ended 31 December 2022 (2021: losses of approximately RMB0.9 million).

Financial assets at fair value through profit or loss ("FVTPL")

On 25 May 2018, the Group invested USD6.0 million (equivalent to approximately RMB38.2 million) to subscribe for the partnership interest of approximately 9.69% in Ally Bridge Group Innovation Capital Partners III, L.P., a private equity fund established in Cayman Islands (the "2018 Equity Fund"). The 2018 Equity Fund principally invests in securities or assets of companies that are involved in the healthcare industry, with a particular focus on cross-border innovative late-stage venture opportunities and cross-over investments. The fair value of our investment in the 2018 Equity Fund as at 31 December 2022 amounted to approximately RMB11.2 million (2021: approximately RMB17.2 million), representing approximately 0.3% (2021: approximately 0.5%) of the Company's total assets. Based on the cumulative amount of net distributions in 2021 and 2020, as well as the outlook of the healthcare industry, the Company is optimistic on the prospects for the investments of the 2018 Equity Fund.

MANAGEMENT DISCUSSION AND ANALYSIS

On 19 January 2021, the Group invested RMB10.0 million to subscribe for a share of the private securities investment fund managed by First Think Capital. The fair value of this investment as at 31 December 2022 amounted to approximately RMB10.4 million (2021: approximately RMB10.0 million), representing approximately 0.3% (2021: approximately 0.3%) of the Company's total assets.

On 24 October 2022, the Group entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for in Ally Bridge Group Global Life Science Capital Partners V, L.P. (the "2022 Equity Fund"), as a limited partner, for an aggregate consideration of USD20.0 million (equivalent to approximately RMB144.4 million) in cash. The purposes of the 2022 Equity Fund are to seek capital appreciation primarily by acquiring, holding and disposing of securities, independently or with others, primarily in non-listed or, sometimes, listed persons involved in the healthcare industry, with a particular focus on leading innovative technologies. The fair value of our investment in the 2022 Equity Fund as at 31 December 2022 amounted to RMB105.9 million, representing approximately 2.9% of the Company's total assets.

The aggregate unrealised foreign exchange losses in financial assets at FVTPL was approximately RMB3.5 million for the year ended 31 December 2022 (2021: losses of approximately RMB1.3 million), and the aggregate loss from changes in fair value of financial assets at FVTPL was approximately RMB40.6 million for the year ended 31 December 2022 (2021: losses of approximately RMB74.1 million).

The investments are classified as financial assets at FVTPL in accordance with IFRS 9. Additional information in relation to these investments is set out in note 20 and note 39(c) to the consolidated financial statements in this annual report. In the opinion of the Directors, the above investments are held for long-term strategic investment purposes and, as such, the above investments are classified as non-current assets.

Equity instruments at fair value through other comprehensive income ("FVTOCI")

On 21 September 2022, the Group entered into a subscription agreement with Jenscare Scientific Co., Ltd. (寧波健世科技股份有限公司) ("Jenscare Scientific") pursuant to which the Group agreed to subscribe for shares of the company upon the initial public offering, as a cornerstone investor, for an aggregate consideration of USD20.0 million (equivalent to approximately RMB143.9 million) in cash with the price of HKD27.8 per share. The fair values of the equity securities in listed entity are determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on quoted market prices. The fair value of this investment as at 31 December 2022 amounted to RMB335.4 million, representing approximately 9.1% of the Company's total assets, and an unrealised gain of approximately RMB191.5 million as compared to the total subscription price of such shares as disclosed above.

Jenscare Scientific is a medical device company dedicated to the development of interventional products for the treatment of structural heart diseases. Established in 2011, it has developed a series of treatment solutions targeting different types of structural heart diseases, including tricuspid valve diseases, aortic valve diseases, mitral valve diseases and heart failure. The shares of Jenscare Scientific are listed on The Stock Exchange of Hong Kong Limited (stock code: 9877). The Group held 5,646,600 H shares in Jenscare Scientific, representing approximately 4.3% of its total issued share capital as at 31 December 2022.

The investment is classified as equity instruments at FVTOCI in accordance with IFRS 9. Additional information in relation to the investment is set out in note 21 and note 39(c) to the consolidated financial statements in this annual report. In the opinion of the Directors, the above investment is held for long-term strategic investment purposes and, as such, the above investment is classified as non-current asset.

Finance income and finance costs

The Company earned an interest income of approximately RMB12.0 million for the year ended 31 December 2022 (2021: approximately RMB7.7 million).

The finance costs were approximately RMB0.6 million for the year ended 31 December 2022 (2021: approximately RMB2.6 million).

Income tax

Income tax increased from approximately RMB49.6 million for the year ended 31 December 2021 to approximately RMB59.3 million for the year ended 31 December 2022. This increase was mainly due to the increase in assessable income.

Net profit

Net profit attributable to owners of the Company for the year ended 31 December 2022, excluding certain non-recurring items, was approximately RMB429.3 million as compared to the net profit amounting to approximately RMB324.0 million in 2021, representing an increase of approximately 32.5%. Such non-recurring items included (i) the other gains and losses resulting from financial assets at fair value through profit and loss, which was losses of approximately RMB41.3 million for 2022 in comparison with losses of approximately RMB11.8 million in 2021, increased by approximately RMB29.5 million; and (ii) the share-based payment expenses which were approximately RMB62.7 million for 2022 in comparison with approximately RMB19.7 million in 2021, increased by approximately RMB43.0 million. Considering the influence arose therefrom, the Company recorded a net profit attributable to owners of the Company for the year ended 31 December 2022 of approximately RMB325.3 million, as compared to the net profit attributable to owners of the Company of approximately RMB292.5 million in 2021, representing an increase of approximately 11.2%.

LIQUIDITY AND FINANCIAL RESOURCES

In 2022, the Group mainly financed its operations with its own working capital.

The Group recorded total current assets of approximately RMB1,396.7 million as at 31 December 2022 (31 December 2021: approximately RMB1,837.1 million) and total current liabilities of approximately RMB584.7 million as at 31 December 2022 (31 December 2021: approximately RMB481.9 million). As at 31 December 2022, total current liabilities of the Group primarily included trade payables and other payables amounting to approximately RMB531.8 million (31 December 2021: approximately RMB429.6 million). Trade and other payables primarily included accrued expenses of approximately RMB188.5 million (31 December 2021: approximately RMB158.8 million), of which primarily in relation to clinical expenses and exhibition expenses, as well as accrued payroll and bonus of approximately RMB94.7 million (31 December 2021: approximately RMB69.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Trade receivables in terms of debtor turnover days was decreased to 41 days (2021: 42 days), while trade payables in terms of creditor turnover days was increased to 75 days (2021: 50 days).

The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group was approximately 2.39 as at 31 December 2022 (31 December 2021: approximately 3.81).

CASH AND CASH EQUIVALENTS

As at 31 December 2022, the Group's cash and cash equivalents were approximately RMB833.8 million, representing a decrease of approximately 25.5% from approximately RMB1,119.3 million as at 31 December 2021. This decrease was mainly due to the increased investments in financial assets at FVTPL and equity instruments at FVTOCI. The cash and cash equivalents of the Group were mainly denominated in Renminbi and Hong Kong Dollars.

GEARING RATIO

As at 31 December 2022 and 2021, the Group did not have any bank borrowings and the gearing ratio of the Group (calculated based on the ratio of total bank borrowings to total equity) was zero.

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB2,900.4 million as at 31 December 2022 as compared with approximately RMB2,503.6 million as at 31 December 2021.

TREASURY POLICY

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

PROPERTY HELD

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

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

As at 31 December 2022, the construction of the industrial park was completed and the Company has obtained certain property ownership certificates. As at the date of this annual report, one of the buildings has been leased, while a part of the self-use areas is under decoration, which is expected to be completed and put into use in the second half of 2023.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed “Financial Review – Equity instruments at FVTOCI”, there were no significant investments held by the Company with a value greater than 5% of its total assets as at 31 December 2022, nor was there any plan authorised by the Board for other material investments or additions of capital assets as at the date of this annual report.

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2022.

FINANCIAL INSTRUMENT

As at 31 December 2022, the Group did not have any outstanding hedge contracts or financial derivative instruments.

CAPITAL EXPENDITURE

For the year ended 31 December 2022, the capital expenditure of the Group for property, plant and equipment, construction in progress, intangible assets, right-of-use assets and deposits for property, plant and equipment/right-of-use assets amounted to approximately RMB332.0 million (2021: approximately RMB301.3 million).

FOREIGN EXCHANGE RISK

During the year ended 31 December 2022, the Group’s operations were primarily based in the PRC and Europe. The revenue derived from Europe accounted for approximately 6.6% (2021: approximately 7.4%) of the total revenue of the Group. The Group’s operational results and financial condition may be affected by fluctuations in the exchange rates of the foreign currencies which the Group conducts its businesses with, such as Euros, US Dollars, Indian Rupees and HK Dollars. The Group had not implemented any hedging policies to deal with such exposure during the Reporting Period. However, the management of the Group monitors foreign currency exposure closely in order to keep the net exposure to an acceptable level. The Group expects that the exchange rate fluctuations will have no material adverse effect on the operation of the Group in the foreseeable future. The Group will consider hedging significant foreign currency exposure should the need arises.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON GROUP ASSETS

As at 31 December 2022, the Group did not have any charges on its assets.

CAPITAL COMMITMENT

As at 31 December 2022, the Group's capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB89.8 million (31 December 2021: approximately RMB128.4 million).

SEGMENT INFORMATION

During the year ended 31 December 2022, the revenue of the Group was principally generated from structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. With aging population, urbanization and the increase of health awareness by the public driving steady growth in the industry, together with our effort in R&D, it is expected that the market demand for the Company's products will show an upward trend in the future, which will lead to business growth.

Structural heart diseases business

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

Peripheral vascular diseases business

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

Cardiac pacing and electrophysiology business

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 1,299 (31 December 2021: 943) full-time employees and two executive Directors (31 December 2021: two). Total staff costs, including Directors' emoluments, amounted to approximately RMB336.5 million for the year ended 31 December 2022 (2021: approximately RMB225.8 million).

The employees of the Group who operate in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government under which the employees are entitled to a monthly pension after retirement. The Group is required to contribute a certain percentage of employee's salaries to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the aforementioned specified contributions. The Group operates the Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. Contributions to these schemes are expensed as incurred. During the year ended 31 December 2022, the total costs paid or payables in relation to contributions to retirement benefits scheme was approximately RMB26.8 million (2021: approximately RMB18.3 million). Forfeited contributions (by the Group on behalf of the employees who leave the aforesaid schemes prior to vesting fully in such contributions) may be not used by the Group to reduce the existing level of contributions.

The Group's remuneration policies were determined with reference to the performance, qualification and working experience of individual employees, as well as the results of the Group and the market conditions. The benefits provided by the Group to its employees include discretionary bonus, transportation and meal subsidies, basic and group medical insurance, work injury insurance, unemployment insurance, annual physical examination, share options, etc. We have a fair and effective performance appraisal system and schemes designed to motivate and reward employees at all levels for their performance and achievements. The Company adopted a share option scheme on 22 October 2011 which was subsequently amended by unanimous written resolutions of the Board on 5 May 2015. On 17 September 2021, as the number of share options which may be granted under such share option scheme had reached its limit and it would soon expire, the Company terminated such share option scheme and adopted a new share option scheme to provide incentives for employees of the Group and other eligible participants thereunder. The Company has adopted a share award scheme on 28 December 2018, which was subsequently amended by unanimous written resolutions of the Board on 29 April 2019. The Company also adopted another share award scheme on 3 March 2022.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

In 2022, due to the sudden outbreaks of COVID-19 in major cities across China, the virus spread in society leading to an overload of medical resources in emergency and respiratory departments, which had a certain impact on our sales. In 2023, the medical demand suppressed by the COVID-19 continues to rebound, and the non-emergency procedures had been postponed due to the COVID-19 is also gradually resuming, we will seize the opportunity to further consolidate and improve the market share.

In 2023, the Company entered into a strategic cooperation agreement with Jenscare Scientific in respect of potential cooperation including but not limited to business development, project investments and financing in China's mainland and overseas. The Company believes that the cooperation will create synergy with the Group's businesses and international strategy and provide the Group with the chance to generate further revenue with an aim to enhance the profitability of the Group as a whole.

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

ENVIRONMENT AND SUSTAINABILITY

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

For further details and related data analysis on the environmental, social performance of the Group, please refer to our 2022 Environmental, Social and Governance Report which will be published as a separate report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

XIE Yuehui (謝粵輝), aged 53, is our chairman, Chief Executive Officer and our executive Director. Mr. XIE has served as the director of Lifetech Shenzhen since October 2000 and was promoted to serve as the chairman of Lifetech Shenzhen since 2005. During the period from 2011 to 2021, Mr. XIE was appointed as a director of 5 overseas subsidiaries of our Group and 8 PRC subsidiaries of our Group. Mr. XIE was resigned as a director of 2 overseas subsidiaries in 2022 due to the change of governance structure and dissolution of the subsidiary and he was appointed as a director of 2 subsidiaries of the Company, namely Biotyx Medical (HK) Co., Limited (元心醫療(香港)有限公司) and Shenzhen Lifetech Cardio Medical Electronics Co., Ltd. (深圳市先健心康醫療電子有限公司). Mr. XIE is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. XIE has about 32 years of experience in business management in the PRC, including over 20 years in the medical device industry. In June 2015, Mr. XIE was appointed as a representative of the Sixth Shenzhen Municipal People's Congress. From 1991 to 1993, Mr. XIE served as the project manager of Eastern Tantalum Group (東方鈹業集團). From June 1993 to January 1994, Mr. XIE was the investment manager at a subsidiary of China Southern Securities (南方證券), and was responsible for project investment. From February 1994 to February 1996, Mr. XIE held the position of the deputy general manager at an investment branch of Bank of China, Jilin Province, and was responsible for managing futures investment projects. From February 1996 to December 1998, Mr. XIE served as the manager at the domestic trade department of Shenzhen Huihua Group (深圳市匯華集團), and was responsible for overall trade management. Since June 1998, Mr. XIE was a general manager at Shenzhen Huishibang Technology Company Limited (深圳市匯世邦科技有限公司) and was promoted to its chairman in 2000. During this period, Mr. XIE was responsible for overall business management. Mr. XIE graduated from Kunming Institute of Technology (昆明工學院) in July 1991 with a bachelor's degree in materials specialising in pressurised processing of metals (金屬壓力加工專業). He also obtained a master's degree in Business Administration from Tsinghua University in July 2006.

LIU Jianxiong (劉劍雄), aged 52, is our Executive Vice President, Chief Financial Officer, Company Secretary and our executive Director. He was appointed as a non-executive Director on 2 March 2015 and was subsequently re-designated as an executive Director with effect from 27 March 2015. On 13 July 2017, he was promoted to serve as Vice President. On 12 April 2019, he was further promoted to serve as Executive Vice President. Mr. LIU joined us in September 2010 and he has been appointed as a director of a number of the Company's subsidiaries, including LifeTech Scientific (Europe) Coöperatief U.A., LifeTech Scientific (Netherlands) B.V., Dongguan LifeTech-Quantum Medical Technology Co., Ltd., Lifetech Scientific America Corporation and LifeTech Scientific International Holding Limited successively since 2015. Mr. LIU was also appointed as the supervisor of Shenzhen LifeTech Innovation Medical Investment Co., Ltd. (深圳市先健創新醫療投資有限公司) in 2020. Mr. LIU has about 30 years of experience in the accounting field. He started his career as an auditor at Kwan Wong Tan & Fong (currently Deloitte Touche Tohmatsu) in 1993, and was primarily responsible for carrying out audits and consultancy work. Mr. LIU then continued to work with a number of multinational companies. From 1997 to 2001, he was the accounting services manager of Yantian International Container Terminal Company Limited (鹽田國際集裝箱碼頭有限公司). From 2001 to 2003, Mr. LIU was the financial controller of Shenzhen Schlumberger Electronic System Solution Co., Ltd. (深圳斯倫具謝電子系統有限公司). From March 2007 to July 2007, Mr. LIU was the China financial controller of China Light & Power Group's renewable energy division. From December 2007 to February 2010, Mr. LIU was the corporate controller of AnyDATA Group in the Great China, and was responsible for financial management, accounts audit, tax planning, raising capital and preparation of financial accounts in accordance with accounting standards in PRC,

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

U.S. and Hong Kong. He has been a member of the Association of Chartered Certified Accountants since 1997 and a registered tax agent since 1999. Mr. LIU graduated from Zhongshan University's faculty of physics with a major in modern physics technology in July 1990. He obtained a master's degree in business administration from University of Glamorgan in the United Kingdom in December 2004.

NON-EXECUTIVE DIRECTORS

JIANG Feng (姜峰), aged 60, was appointed as a non-executive Director on 1 April 2014. Mr. JIANG is currently vice president of China Association for Medical Devices Industry, chairman of China Strategic Alliance of Medical Devices Innovation, deputy director of Biomedical Engineering Education Steering Committee of the Ministry of Education (教育部生物醫學工程專業教育指導委員會), chairman of TC94 sub committee of National Standards Technical Committee (國家標準技術委員會). Mr. JIANG had been working as a clinician for 12 years before he left the hospital in 1997 to establish his own business. For his outstanding achievements, Mr. JIANG was considered to be special talent by SASAC and was chosen to be a leader of national large medicine and device companies for a long term, including as chairman and general manager of China National Pharmaceutical Group Corporation North West Company and China National Medical Equipment Co., Ltd.. During that period he was in charge of or participated in restructuring, mergers and acquisitions and transformation for listing of nearly 40 relevant companies. Mr. JIANG had been serving as a general manager of China National Medical Equipment Co., Ltd for 9 years, during which he accomplished the substantial transformation of the enterprise from exhibition business to production and operation of device by establishing China's first Sino-foreign joint venture medical device distribution company and making it the largest domestic medical device distributor within 5 years. He had been president and standing vice president of China Association for Medical Devices Industry for 20 years, during which he visited and evaluated over a thousand of member enterprises. For around 13 years while being a chairman of China Strategic Alliance of Medical Devices Innovation, he assisted the science and technology department and local science and technology bureaus in assessing subjects of hundreds of medical device projects and conducting subsequent management. Benefiting from his extensive work experience in the industry, Mr. JIANG is expert at the operation and management of medical companies and understands development trend of the industry, in particular, he has made experience in industrial innovation and international marketing. Since 8 November 2016, Mr. JIANG was appointed as an independent non-executive director of Hangzhou Kangji Medical Instrument Co., Ltd. for a term of three years. Since January 2022, Mr. JIANG was appointed as an independent director of Eyebright Medical Technology (Beijing) Inc. for a term of three years. Since December 2022, Mr. Jiang was appointed as an independent director of Dynamiker Biotechnology (Tianjin) Co., Ltd.. Mr. JIANG graduated from the Fourth Military Medical University with a bachelor degree in medicine in 1985 and obtained his doctoral degree of clinical surgery in 1995 from the Fourth Military Medical University. He obtained an EMBA degree from Tsinghua University in 2007.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph (梁顯治), aged 68, was appointed as an independent non-executive Director with effect from 22 October 2011. Mr. LIANG has extensive experience in finance and accounting. From November 1993 to August 2001, Mr. LIANG served as the finance manager at Hong Kong International Terminals Limited for Yantian International Container Terminals, both being container terminal companies managed by the Hutchison Port Holdings Trust. From August 2001 to October 2005, Mr. LIANG held various positions at Skyworth Digital Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 751), including the group's financial controller and company secretary in charge of finance and MIS functions of the Group. From October 2005 to December 2008, Mr. LIANG was a director at Shenzhen Alclear Consulting Limited, a company engaging in financial, corporate management and investment consultancy services, and was responsible for developing accounting training in China. From October 2009 to September 2011, Mr. LIANG was the managing director of the financial planning and development department at United International College ("UIC") in Zhuhai, PRC, and was responsible for serving financial advisory and human resources management functions. From October 2011 to September 2012, Mr. LIANG served as special consultant on campus development at UIC. He was the executive vice president of Finance of TWS Industrial (Holdings) Ltd. since October 2011, a private company engaged in battery production. He later worked as consultant in it from August 2013 to December 2013. He returned to full time teaching as an associate professor at UIC in September 2013. Mr. LIANG graduated from Hong Kong Open University with a bachelor's degree in language and translation in December 2007. Mr. LIANG obtained a master's degree in professional accounting from University of Texas, Austin in May 1981 and a diploma in business management from Hong Kong Baptist College in December 1977. Mr. LIANG has been a member of the Texas Society of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants (formerly known as "Hong Kong Society of Accountants") since June 1982 and Association of Certified Chartered Accountants (ACCA) since May 1982. On 19 February 2013, Mr. LIANG was appointed as an independent non-executive director of North Asia Strategic Holding Limited, a company listed on GEM (Stock Code: 8080) for a term of three years. He was re-appointed as an independent non-executive director of North Asia Strategic Holding Limited for another three years commencing 19 February 2016. Mr. LIANG was also appointed on 6 June 2014 for a one year term as an independent non-executive director of China Animal Healthcare Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 940). Since 30 December 2022, Mr. LIANG was appointed as an independent non-executive director of Cryofocus Medtech (Shanghai) Co., Ltd., a company listed on the Main Board of the Stock Exchange (Stock Code: 6922). On 26 June 2015, Mr. LIANG ceased to be an independent non-executive director of China Animal Healthcare Limited.

WANG Wansong (王皖松), aged 53, was appointed as an independent non-executive Director on 29 January 2016. Mr. WANG is currently the director of Shenzhen YUTO Foundation (深圳市裕同公益基金會) and has been engaged in high-tech industry development planning and policy research for a long time, he has an extensive experience in development planning and policies research for the High-Tech industry in Shenzhen, as well as in technological innovation, achievements transformation for bio-pharmaceutical industry and medical device industry. From 1997 to 2014, Mr. WANG worked at Development and Reform sectors of Shenzhen Government. From 2014 to 2018, Mr. WANG has been appointed as a senior researcher at the State High-Tech Industrial Innovation Center in Shenzhen (深圳市國家高技術產業創新中心). Mr. WANG holds a bachelor degree in Biology from the Peking University.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

ZHOU Luming (周路明), aged 64, was appointed as an independent non-executive Director with effect from 1 April 2014. Mr. ZHOU is currently the president of Shenzhen CRI Innovation Center (深圳市源創力離岸創新中心) and the chairman of Shenzhen CRI Qingyuan Investment Management Co., Ltd. (深圳市源創力清源投資管理有限公司). He was a teacher in South-Central University for Nationalities from July 1984 to May 1992. During that period, he published a professional work titled Systems Science (系統科學) together with a number of academic papers. From May 1992 to September 2001, he worked in Shenzhen Technology Bureau (深圳市科技局) as the head of the compliance division, director of general office and head of the planning division, taking charge of the establishment of a series of major legislations and research on decision-making work. Mr. ZHOU acted as deputy dean of Research Institute of Tsinghua University in Shenzhen from September 2001 to May 2004. He was deputy director of Shenzhen Technology Bureau from May 2004 to May 2008. During the period from 2005 to 2008, Mr. ZHOU presided over series of study on innovative cities. From 2008 to March 2014, when he served as chairman of Shenzhen Science and Technology Association, he established a great number of private-funded research institutes with international advanced level, which involved metamaterial, new energy and precise manufacturing. His experience in directing the restructuring of Shenzhen Science and Technology Association was highly appreciated by major leaders of China Association of Science and Technology with promotion in the system of the association of science and technology. Mr. ZHOU graduated from the Faculty of Physics of Central China Normal University in 1984, and obtained his EMBA degree after graduating from Tsinghua University in 2005.

SENIOR MANAGEMENT

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles of corporate governance and applied the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code of corporate governance and confirms that it has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2022, save for a deviation from code provision A.2.1 of the CG Code as Mr. XIE Yuehui served as both the Chairman of the Board and the Chief Executive Officer. Details are set out in the section headed “Chairman and Chief Executive Officer” below. The Company is committed to making necessary arrangements to comply with all the code provisions.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company during the year ended 31 December 2022. Details of the shareholding interests held by the Directors as at 31 December 2022 are set out on page 46 of this annual report.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2022.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors, and changes to the Board members during 2022 and up to the date of this annual report are as follows:

Executive Directors

XIE Yuehui (*Chairman and Chief Executive Officer*)

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

Non-executive Director

JIANG Feng

Independent Non-executive Directors

LIANG Hsien Tse Joseph

WANG Wansong

ZHOU Luming

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

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

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

During the year ended 31 December 2022, the Board complied at all times with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual confirmation of his independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Board considers that each of the independent non-executive Directors remains independent in compliance with the Listing Rules as at the date of this annual report. As each of Mr. LIANG Hsien Tse Joseph and Mr. ZHOU Luming would have served the Company as an independent non-executive Director for more than nine years at the annual general meeting of the Company to be held on 25 May 2023 (the "AGM"), pursuant to code provision B.2.3 of the CG Code their re-election and appointment will be subject to a separate resolution to be approved by the shareholders of the Company at the AGM.

The Board meets regularly and as warranted by particular circumstances. During the year ended 31 December 2022, the Board had held ten meetings for, amongst other things, reviewing and approving the financial and operating performance of the Group.

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

Name of Directors	Board Meeting	AGM
EXECUTIVE DIRECTORS		
XIE Yuehui (<i>Chairman and Chief Executive Officer</i>)	10/10	1/1
LIU Jianxiong (<i>Executive Vice President, Chief Financial Officer and Company Secretary</i>)	10/10	1/1
NON-EXECUTIVE DIRECTOR		
JIANG Feng	10/10	1/1
INDEPENDENT NON-EXECUTIVE DIRECTORS		
LIANG Hsien Tse Joseph	10/10	1/1
WANG Wansong	10/10	1/1
ZHOU Luming	10/10	1/1

Practices and Conduct of Meetings

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

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

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

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

Continuous Professional Development for Directors

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

During the year ended 31 December 2022, the Directors participated in a training related to the corporate governance and Listing Rules organised by the Company's Hong Kong legal advisor, and the Company has kept the relevant training records.

During the year ended 31 December 2022, the Directors participated in the following training:

Name of Directors	Participated in continuous professional development ¹
Executive Directors:	
XIE Yuehui (<i>Chairman and Chief Executive Officer</i>)	√
LIU Jianxiong (<i>Executive Vice President, Chief Financial Officer and Company Secretary</i>)	√
Non-executive Director:	
JIANG Feng	√
Independent non-executive Directors:	
LIANG Hsien Tse Joseph	√
WANG Wansong	√
ZHOU Luming	√

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

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

Corporate Governance Functions

The Board is responsible for performing the functions set out in D.3.1 of the CG Code. For the year ended 31 December 2022, the Company complied with code provision D.3.1 of the CG Code. During the year ended 31 December 2022, the Board met once to review and monitor the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, code of conduct applicable to the Directors and employees, the compliance with the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Chairman and Chief Executive Officer

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

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

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

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

Non-executive Directors and independent non-executive Directors

Code provision A.4.1 provides that non-executive Directors should be appointed for a specific term and subject to re-election. The Company's non-executive Director and independent non-executive Directors have been appointed for a term of three years. All of the Company's non-executive Director and independent non-executive Directors in position as at 31 December 2022 are subject to re-election.

COMMITTEES

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

Audit Committee

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

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

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

- (i) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- (ii) reviewing and monitoring the external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (iii) discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (iv) monitoring the integrity of the Company's financial statements, the annual and half-yearly report and results and reviewing significant financial reporting judgements contained therein, in particular any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from audit, compliance with accounting standards and compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (v) considering any significant or unusual items that are, or may need to be, reflected in the report and accounts;
- (vi) reviewing the Company's internal audit functions, financial controls, risk management and internal control systems;
- (vii) discussing the risk management and internal control systems with management;
- (viii) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and
- (ix) reviewing the Group's financial and accounting policies and practices.

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

During the year ended 31 December 2022, the Audit Committee held two meetings and performed the following duties:

- (i) reviewed the scope of audit work to be performed by the external auditor, Deloitte Touche Tohmatsu, and met with the external auditor;
- (ii) reviewed, discussed and commented on the Company's annual financial results and report in respect of the year ended 31 December 2021 and the interim financial results and report for the six months ended 30 June 2022 and the Group's financial and accounting policies and practices;
- (iii) discussed matters with respect to the accounting policies and practices adopted by the Company with senior management members of the Company and the external auditor;
- (iv) reviewed and commented on the Group's internal audit functions, internal control measures, financial control and reporting systems and risk management systems; and
- (v) discussed and made recommendations on the re-appointment of the external auditors and made assessment of the performance of the external auditors.

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

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

The Group's annual audited results for the year ended 31 December 2022 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Remuneration Committee

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

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

- (i) making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies;
- (ii) determining, with delegated responsibility, the remuneration packages, including, where appropriate, benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, of individual executive Directors and members of the senior management;
- (iii) reviewing and approving the management's remuneration proposals with reference to corporate goals and objectives resolved by the Directors from time to time;
- (iv) making recommendations to the Board on the remuneration of non-executive Directors (including independent non-executive Directors); and
- (v) considering the grant of share-based compensation to eligible participants pursuant to the share option scheme and share award scheme adopted by the Company.

The Remuneration Committee held three meetings during the year ended 31 December 2022, to, amongst other things, consider the remuneration policy, assess the performance of the executive Directors, approve the terms of service contracts of Mr. JIANG Feng, Mr. LIANG Hsien Tse Joseph, Mr. WANG Wansong and Mr. ZHOU Luming, and the grants of awards under the share award scheme adopted by the Company. The particulars of the attendance of the Remuneration Committee are set forth as follows:

Name of the members of the Remuneration Committee	Number of meetings attended/ convened
Chairman:	
Mr. WANG Wansong	3/3
Members:	
Mr. LIANG Hsien Tse Joseph	3/3
Mr. XIE Yuehui	3/3

The Remuneration Committee has approved the grant of 20,750,000 shares to the selected participants on 21 October 2022, referring to the 2022 share award scheme (the "2022 Share Award Scheme") adopted by the Company on 3 March 2022.

Nomination Committee

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

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

- (i) reviewing the structure, size and diversity of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (ii) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merits and against objective criteria with due regard for the benefits of diversity on the Board;
- (iii) assessing the independence of independent non-executive Directors;
- (iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future; and
- (v) reviewing the board diversity policy (the "Board Diversity Policy") and the progress on achieving the objectives for implementing the Board Diversity Policy.

CORPORATE GOVERNANCE REPORT

The Board adopted a Board Diversity Policy in accordance with the CG Code. The Company recognises the benefits of having a diverse Board, and considers diversity at Board level essential in achieving a sustainable and balanced development. Pursuant to the Board Diversity Policy of the Board, when recommending suitable candidates to the Board, the Nomination Committee will take merits of the candidates into consideration, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

As at the date of this report, the Board comprises six male Directors. The Company expects to appoint a director of different gender from the existing Board no later than 31 December 2024 in accordance with the CG Code. To ensure gender diversity of the Board in a long run, the Group will seek to identify and select several female individuals with a diverse range of skills, experience and knowledge in the field of the Group's business from time to time, and maintain a list of such female individuals who possess qualities to become the Board members in order to develop a pipeline of potential successors to the Board to promote gender diversity of the Board.

The workforce of the Group (including its senior management) comprised approximately 54.72% male employees and 45.28% female employees as at 31 December 2022. Due to the nature of work in the medical device industry, the Group mainly considers factors such as the candidates' ability and experience, rather than their gender, in recruiting employees.

The Nomination Committee held one meeting during the year ended 31 December 2022 with reference to the policy for the nomination of Directors and the nomination procedure, process and criteria to select and recommend candidates for directorship, identify and make recommendations to the Board on the selection of individuals nominated for directorship, and considered the qualifications of the retiring Directors standing for re-election at the AGM. The Nomination Committee reviewed the structure, size and composition of the Board to ensure it has an appropriate balance of skills, expertise and experience. Also, the Nomination Committee resolved that (i) the structure of the Board to be recommended to the Board for approval; (ii) the independence of the independent non-executive Director to be recommended to the Board for approval; and (iii) nomination of the directors for re-election at the forthcoming AGM and to be recommended to the Board for approval. The particulars of the attendance of the Nomination Committee are set forth as follows:

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

The Nomination Committee has declared the interest of the members of the Board, reviewed the structure, size and composition of the Board, assessed the independence of independent non-executive Directors, nominated directors to be re-elected at the forthcoming AGM and reviewed the nomination policy, including nomination procedure and recommendation criteria.

BOARD INDEPENDENCE

The Board reviewed and considered that the following key features or mechanisms under Company's governance structure are effective in ensuring that independent views and input are provided to the Board.

- | | |
|---|---|
| Board and committees' structure | <ul style="list-style-type: none"> • The Company has been steered by a Board comprising a majority of non-executive Directors. The Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. • Members of all committees are independent non-executive Directors (save for Mr. XIE Yuehui in the Remuneration Committee and the Nomination Committee). |
| Independent non-executive Directors' tenure | <ul style="list-style-type: none"> • The directors' nomination policy of the Company sets a maximum tenure of nine consecutive years for independent non-executive Directors to be eligible for nomination by the Board to stand for re-election by Shareholders unless the Board considers that such director is still independent and should be re-elected. |
| Independent non-executive Directors' remunerations | <ul style="list-style-type: none"> • Independent non-executive Directors receive fixed fee(s) for their roles as members of the Board and committee(s) as appropriate, and have not participated in the share schemes of the Company. |
| Appointment of independent non-executive Directors | <ul style="list-style-type: none"> • When assessing suitability of the candidates, the Nomination Committee will review their profiles, including their qualification and time commitment, and having regard to the Board's composition, the Directors' skill matrix, the list of selection criteria approved by the Board, its nomination policy and the Board Diversity Policy. |
| Annual review of independent non-executive Directors' independence | <ul style="list-style-type: none"> • the Board assessed the annual independence confirmation received from each independent non-executive Director, having regard to the criteria under Rule 3.13 of the Main Board Listing Rules. |
| Conflict management | <ul style="list-style-type: none"> • the Articles of Association of the Company provide guidance to the Directors on avoiding conflicts of interest and on the circumstances under which appropriate action(s) shall be taken by the Director in conflict. |
| Professional advice | <ul style="list-style-type: none"> • To facilitate proper discharge of their duties, all Directors are entitled to seek advice from the Company Secretary or the in-house legal team as well as from independent professional advisers at the Company's expense. |
| Board evaluation | <ul style="list-style-type: none"> • The quality and efficiency of discussions at Board meetings are assessed during the annual evaluation of the Board's performance. |

REMUNERATION OF EXTERNAL AUDITOR

For the year ended 31 December 2022, the Group's external auditor, Deloitte Touche Tohmatsu, provided annual audit service and non-audit service to the Group, the total fees paid/payable in respect of annual audit service and non-audit service were approximately RMB2.4 million and RMB0.5 million. The non-audit service performed by Deloitte Touche Tohmatsu was related to tax consultation.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

During the year ended 31 December 2022, the Board has conducted a review on the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls, and discussed relevant proposals made by senior management in order to ensure adequate and effective systems of risk management and internal control. The Board will continue to conduct such review at least once a year and continue to assess the effectiveness of risk management and internal controls by considering reviews presented by the Audit Committee, executive management and the internal compliance coordinators of the Company. The Board is satisfied that, based on the information supplied, coupled with its own observations and with the assistance of the Audit Committee, the present internal controls and risk management processes are satisfactory, effective and adequate for the nature and size of the Group's operations and business.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2022, which gives a true and fair view of the results and financial position of the Group. The Directors consider that in preparing financial statements, the Group ensures to meet statutory requirements, applies appropriate policies that are consistently adopted as well as makes judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

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

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

The statement of the independent auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company and the Group is set out in the Independent Auditors' Report on pages 62 to 66 of this annual report.

COMPANY SECRETARY

Mr. LIU Jianxiong was appointed as the Company Secretary of the Company on 22 October 2011. Mr. LIU has over 30 years of experience in the accounting field. During the year ended 31 December 2022, Mr. LIU undertook not less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules to update his skills and knowledge in corporate governance and compliance issues. The biographical information of Mr. LIU is set out in the "Biographical Details of Directors and Senior Management" section on page 19 of this annual report.

SHAREHOLDERS' RIGHTS

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

Fax: +86 755 86026251

Email: sa@lifetechmed.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

The Company updates its shareholders on its latest business developments and financial performance through its annual and interim reports and notices, announcements and circulars. The website of the Company (www.lifetechmed.com) provides a communication platform to the public and the shareholders. In March 2012, the Board has also established a written shareholders' communication policy. The Board has conducted a review of the implementation and effectiveness of the shareholders' communication policy during the year ended 31 December 2022. To promote effective communication, the Company maintains a website at www.lifetechmed.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write directly to the Company or via email to sa@lifetechmed.com for any inquiries. Having considered the multiple channels of communication in place, it is satisfied that the shareholders' communication policy has been properly implemented during the year ended 31 December 2022 and is effective.

CONSTITUTIONAL DOCUMENTS

The Company has adopted new Memorandum and Articles of Association which has been approved by the AGM on 27 May 2022 in order to (i) bring the existing Articles of Association in line with amendments made to the applicable laws of the Cayman Islands and the Listing Rules; and (ii) to make some other housekeeping improvements.

The major amendments are summarized as follows:

1. to provide that any Director appointed by the Board to either fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election;
2. to provide that an AGM of the Company shall be held in each financial year;
3. to provide for shareholders right to speak and vote at a general meeting;
4. to provide for shareholders right to appoint, remove and fix the remuneration of the auditor of the Company;
5. to provide that the financial year end of the Company shall be the 31st day of December in each year which is a requirement under the Companies Act;
6. to provide for shareholders right to voluntarily wind up the Company;
7. to replace all references to the words "Companies Law (2013 Revision)" with "Companies Act (As Revised)", wherever they respectively appear in the Memorandum and Articles of Association; to replace all references to the word "Law" with "Act" wherever they respectively appear in the Articles of Association.
8. other amendments to better align with the wordings in the Listing Rules and the applicable laws of the Cayman Islands.

Details of these amendments are set out in Appendix III to this circular of the Company dated 22 April 2022 in relation to, among other things, the adoption of the new Memorandum and Articles of Association.

AGM

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

The last AGM of the Company was held on Friday, 27 May 2022, please refer to the Company's circular and announcement dated 22 April 2022 and 27 May 2022, respectively, for details of the meeting, major items discussed and the voting particulars. The next AGM of the Company will be held on Thursday, 25 May 2023.

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company while its subsidiaries are principally engaged in the developing, manufacturing and marketing of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. For further details on the principal activities of its subsidiaries, please refer to note 42 to the consolidated financial statements.

Details of the activities during the year ended 31 December 2022 as required by Schedule 5 to the Companies Ordinance, including a description of the principal risks and uncertainties faced by the Group, an indication of likely future development in the Group's business, and the Group's environmental policies and performance, as well as compliance with relevant laws and regulations which have a significant impact on the Company, are set out under the section "Management Discussion and Analysis" on pages 7 to 18 of this annual report.

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year ended 31 December 2022 and the material factors underlying its results and financial position are provided in the sections headed "Management Discussion and Analysis" respectively on pages 7 to 18 of this annual report. Description of the principal risks and uncertainties faced by the Company can be found throughout this annual report, particularly in the section "Management Discussion and Analysis" on pages 7 to 18 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the 2022, if any, can also be found in the above-mentioned sections and the notes to the consolidated financial statements. The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement from pages 5 to 6 of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2022 and the state of affairs of the Group at that date are set out in the consolidated financial statements.

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

FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, approximately 39.2% of revenue from the Group's total sales of goods were attributable to the Group's five largest customers combined, while approximately 14.6% of revenue from the Group's total sales of goods were attributable to the largest customer.

During the year ended 31 December 2022, the percentage of purchases attributable to the Group's largest supplier and the five largest suppliers combined were 10.6% and 37.1%, respectively.

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

SHARE CAPITAL

Details of the movements in share capital of the Company and details of the shares issued during the year ended 31 December 2022 are set out in note 32 to the consolidated financial statements.

THE 2020 PLACING

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

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

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

- (i) a discount of approximately 11.6% to the closing price of HKD3.660 per share of the Company as quoted on the Stock Exchange on 3 December 2020, being the trading day prior to the date of the placing agreement;
- (ii) a discount of approximately 9.3% to the average closing price of approximately HKD3.570 per share of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the placing agreement; and
- (iii) a discount of approximately 2.3% to the average closing price of approximately HKD3.313 per share of the Company as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the placing agreement.

The net placing price (after deducting the costs and expenses incurred for the 2020 Placing) was approximately HKD3.2366 per placing share. The net proceeds raised from the 2020 Placing were approximately HKD930.0 million. As at 31 December 2022, the usage of the proceeds from the 2020 Placing was as follows:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds as at 31 December 2022 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2022 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Repayment of certain bank borrowings of the Group	406.0	406.0	—	Fully utilised
Funding potential business development involving a new overseas clinical project	465.0	26.4	438.6	To be applied in 2023 (HKD70.0 million) and 2024 (HKD368.6 million) subject to adjustments (if any)
General working capital of the Group	59.0	59.0	—	Fully utilised
Total	930.0	491.4	438.6	

Approximately HKD491.4 million of the net proceeds of the 2020 Placing had been utilised in accordance with the intended use of proceeds. There has been no change in the intended use of net proceeds. The unutilised net proceeds would be brought forward to the next financial year and will be gradually utilised in accordance with the above intended purposes.

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

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has adopted the principles of corporate governance and complied with the code provisions in the CG Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022, save for the deviation from A.2.1 of the CG Code that both the roles of Chairman of the Board and the Chief Executive Officer were served by the same individual. For further information on the Group's corporate governance practices during the year, please refer to the Corporate Governance Report in this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2022, the Company's reserves available for distribution to its owners of the Company amounted to approximately RMB1,082.1 million (2021: approximately RMB1,068.0 million).

Details of movements in the reserves of the Group during the year ended 31 December 2022 are set out in the consolidated statement of changes in equity.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 15 to the consolidated financial statements in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

During the year of 2022, other than the service contracts or appointment letters of the Directors, the Company has not entered into any contract with any individuals, firms or corporate entities which has undertaken the management and administration of the whole or any substantial part of any business of the Company.

DIRECTORS

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

Executive Directors

XIE Yuehui (*Chairman and Chief Executive Officer*)

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

Non-executive Director

JIANG Feng

Independent Non-executive Directors

LIANG Hsien Tse Joseph

WANG Wansong

ZHOU Luming

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

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

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

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

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

DIRECTOR'S SERVICE CONTRACTS OR APPOINTMENT LETTERS

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

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

Mr. JIANG Feng has been appointed as a non-executive Director and entered into a service contract with the Company for an initial term of three years commencing from 1 April 2014, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing. On 1 April 2017, 26 April 2019 and 26 April 2022, Mr. JIANG Feng and the Company renewed the appointment letter which is subject to manual renewal every three years.

Mr. LIANG Hsien Tse Joseph has been appointed as an independent non-executive Director and entered into a service contract with the Company for an initial term of one year commencing from 10 November 2011, while Mr. ZHOU Luming has been appointed as an independent non-executive Director and entered into a service contract with the Company for an initial term of one year commencing from 1 April 2014, all of which are subject to automatic renewal on an annual basis on the same terms and conditions until terminated by either party giving to the other party not less than one month's notice in writing. On 10 November 2014, each of Mr. LIANG and Mr. ZHOU renewed the service contracts with the Company respectively which is subject to manual renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing. On 1 April 2017, 26 April 2019 and 26 April 2022, each of Mr. LIANG and Mr. ZHOU renewed the appointment letters with the Company respectively which is subject to manual renewal every three years.

Mr. WANG Wansong has been appointed as an independent non-executive Director and entered into an appointment letter with the Company for an initial term of three years commencing from 29 January 2016. On 1 April 2017, 26 April 2019 and 26 April 2022, Mr. WANG Wansong and the Company renewed the appointment letter which is subject to manual renewal every three years.

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

EMOLUMENT POLICY

During the year ended 31 December 2022, the Remuneration Committee reviewed the Group's emolument policy and structure for all remunerations of the Directors and senior management of the Company, which are determined with reference to the Group's operating results, individual performance and comparable market practices.

The emoluments of the executive Directors and senior management were determined by the Remuneration Committee, with delegated responsibility from the Board, after taking into account factors including the Group's operating results, individual performance, comparable market practices and their individual qualification, position and seniority. The remuneration of non-executive Directors (including independent non-executive Directors) is determined by the Board after considering recommendations from the Remuneration Committee. None of the Directors waived or agreed to waive any remuneration during the year ended 31 December 2022 and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

The Company has adopted a share option scheme as an incentive for the Directors and eligible employees. Details of the scheme are set out in the section headed "Share Option Scheme" below and note 34 to the consolidated financial statements.

The remunerations paid to the senior management of the Company, who are also executive Directors, during the year ended 31 December 2022 were within the following bands:

Bands	Number of senior management
RMB4,500,001 to RMB5,000,000	1
RMB6,000,001 to RMB6,500,000	1

Mr. XIE Yuehui, as a nominee for members of the Company's management team, as at 31 December 2022 was interested in 25% shareholding in Shenzhen LifeTech New Materials Technology Corporation LLP (a limited liability partnership) (深圳市先健新材料科技企業(有限合夥)) ("Shenzhen Lifetech New Materials"), which was interested in 4.18% shareholding in Biotyx Medical (Shenzhen) Co., Ltd. (元心科技(深圳)有限公司) ("Biotyx Medical"), a subsidiary of the Group. It is the Company's plan that the shares of Shenzhen Lifetech New Materials currently held by Mr. XIE Yuehui will eventually be distributed to the members of the Company's management team as a recognition by the Company of the contribution made by the Company's management team and to further incentivise the Company's management team in the future. The remaining 75% shareholding in Shenzhen LifeTech New Materials is held by employees of the Company. Shenzhen Lifetech New Materials is not engaged in any active business operations.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE

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

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in ordinary shares and underlying shares of the Company

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

1. These interests represented:

- (a) 781,914,928 shares held by Xianjian Advanced Technology Limited, which is wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director; and
- (b) 19,600,000 options granted to Mr. XIE Yuehui on 5 May 2015, which were subject to certain vesting conditions pursuant to the Previous Scheme (as defined under the section headed "Share Option Scheme"), details of which are set out in the section headed "Share Option Scheme" in this annual report.

2. These interests represented:

- (a) 8,140,000 shares held by Mr. LIU Jianxiong, our Executive Vice President, executive Director, Chief Financial Officer and Company Secretary; and
- (b) 16,800,000 options granted to Mr. LIU Jianxiong on 5 May 2015, which were subject to certain vesting conditions pursuant to the Previous Scheme, details of which are set out in the section headed "Share Option Scheme" in this annual report.

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

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

As at 31 December 2022, other than the interests of a Director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests and short position in the shares, underlying shares and debentures of the Company and its associated corporations" above, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company, were as follows:

Long positions in shares of the Company

Name of shareholder	Number of shares	Capacity	Percentage of the Company's issued share capital
Xianjian Advanced Technology Limited (Note 1)	781,914,928	Beneficial owner	16.89%
HHLR Fund, L.P. (Note 2)	413,716,000	Beneficial owner	8.94%
HHLR Advisors, Ltd.	414,144,500	Investment manager	8.94%

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

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

Save as disclosed above, as at 31 December 2022, the Directors have not been notified by any other person (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

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

SHARE OPTION SCHEME

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

1. Purpose of the Share Option Scheme

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

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

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

3. Maximum number of shares

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

The number of further share options that may be granted under the Share Option Scheme was 326,129,240 as at 1 January 2022 and 326,129,240 as at 31 December 2022. As at the date of this report, the number of further share options that may be granted under the Share Option Scheme was 326,129,240, representing approximately 7.04% of the number of total issued shares of the Company. No further share options may be granted under the Previous Scheme. There is no service provider sublimit under the Share Option Scheme.

4. Maximum entitlement of each participant

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

5. Offer period and amount payable for options

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

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

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

7. Basis of determining the subscription price

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

- (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option;
- (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the date of offer of the option; and
- (iii) the nominal value of a share.

8. Remaining Life of the Share Option Scheme

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

The table below sets out details of the outstanding options granted to the Directors and other grantees under the Previous Scheme and movements during the period from 1 January 2022 to 31 December 2022

Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Number of shares				
						Outstanding as at 1 January 2022	Exercised during the year ended 31 December 2022	Closing price (weighted average) of the shares of the Company immediately before the dates on which the options were exercised	Cancelled/ Lapsed during the year ended 31 December 2022	Outstanding as at 31 December 2022
Directors/Chief Executives										
Mr. XIE Yuehui	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020, respectively	10 years from the date of grant	HKD1.464	19,600,000	19,600,000	—	—	—	19,600,000
Sub-total					19,600,000	19,600,000	—	—	—	19,600,000
Mr. LIU Jianxiang	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020, respectively	10 years from the date of grant	HKD1.464	16,800,000	16,800,000	—	—	—	16,800,000
Sub-total					16,800,000	16,800,000	—	—	—	16,800,000

Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Number of shares				
						Outstanding as at 1 January 2022	Exercised during the year ended 31 December 2022	Closing price (weighted average) of the shares of the Company immediately before the dates on which the options were exercised	Cancelled/ Lapsed during the year ended 31 December 2022	Outstanding as at 31 December 2022
Other Grantees										
Employees	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HKD1.464	123,600,000	33,789,600 (Note 1)	—	—	—	33,789,600 (Note 2)
Employees	31 March 2021 (Note 3)	30%, 30% and 40% of options on 31 March 2022, 2023 and 2024, respectively	10 years from the date of grant	HKD3.570	33,320,000 (Note 4)	30,920,000 (Note 5)	—	—	(1,570,000)	29,350,000 (Note 6)
Sub-total					156,920,000	64,709,600	—	—	(1,570,000)	63,139,600
Total					193,320,000	101,109,600	—	—	(1,570,000)	99,539,600

Note 1: The 33,789,600 outstanding share options as at 1 January 2022 were held by 20 grantees who were employees of the Group.

Note 2: The 33,789,600 outstanding share options as at 31 December 2022 were held by 20 grantees who were employees of the Group.

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

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

Note 5: The 30,920,000 outstanding share options as at 1 January 2022 were held by 115 grantees who were employees of the Group.

Note 6: The 29,350,000 outstanding share options as at 31 December 2022 were held by 108 grantees who were employees of the Group.

No share options were granted under the Previous Scheme during the year ended 31 December 2022 and 99,539,600 share options remained outstanding under the Previous Scheme as at 31 December 2022.

DIRECTORS' REPORT

The table below sets out details of the outstanding options granted to the Directors and other grantees under the Share Option Scheme and movements during the period of 1 January 2022 to 31 December 2022:

Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Number of shares				
						Outstanding as at 1 January 2022	Exercised during the year ended 31 December 2022	Closing price (weighted average) of the shares of the Company immediately before the dates on which the options were exercised	Cancelled/ Lapsed during the year ended 31 December 2022	Outstanding as at 31 December 2022
Other Grantees										
Employees	12 November 2021	10%, 15%, 20%, 25% and 30% upon completion of the Group's annual performance assessment of 2022, 2023, 2024, 2025 and 2026, respectively	10 years from the date of grant	HKD3.590	101,800,000	101,800,000	—	—	(5,950,000)	95,850,000 (Note 1)
Employees	10 December 2021	10%, 15%, 20%, 25% and 30% upon completion of the Group's annual performance assessment of 2022, 2023, 2024, 2025 and 2026, respectively	10 years from the date of grant	HKD3.836	11,000,000	11,000,000	—	—	(410,000)	10,590,000 (Note 2)
Consultants	10 December 2021	10%, 15%, 20%, 25% and 30% upon completion of the Group's annual performance assessment of 2022, 2023, 2024, 2025 and 2026, respectively	10 years from the date of grant	HKD3.836	24,000,000	24,000,000	—	—	—	24,000,000 (Note 3)
Total					136,800,000	136,800,000	—	—	(6,360,000)	130,440,000

Note 1: The 95,850,000 outstanding share options as at 31 December 2022 were held by 153 grantees who are employees of the Group (who are neither a director, chief executive or substantial shareholder of the Company nor their respective associates).

Note 2: The 10,590,000 outstanding share options as at 31 December 2022 were held by 24 grantees who are employees of the Group (who are neither a director, chief executive or substantial shareholder of the Company nor their respective associates).

Note 3: The 24,000,000 outstanding share options as at 31 December 2022 were held by 5 grantees who are consultants of the Group (who are neither a director, chief executive or substantial shareholder of the Company nor their respective associates). Among these grantees, there were two legal advisors, a medical advisor and an investment advisor who had options granted 12-month period exceeding 0.1% of the total number of issued shares as at the date of grant. Each of 4 advisors (who were not granted any share options or awards prior to the 12-month period prior to the grant) were granted 5,000,000 share options each on 10 December 2021, representing 0.11% (i.e. more than 0.1%) of the total number of issued shares as at the date of grant.

No share options were granted under the Share Option Scheme during the year ended 31 December 2022 and 130,440,000 share options remained outstanding under the Share Option Scheme as at 31 December 2022.

Value of share options

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

Value of share options granted on 31 March 2021

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

- a. Stock price: HKD3.570 per share (being the closing price of HKD3.570 per Share as of the grant date)
- b. Exercise price: HKD3.570 per share (being the highest price of (i) the closing price of HKD3.570 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the grant date; (ii) the average closing price of HKD3.404 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the grant date; and (iii) the nominal value of a share.)
- c. Expected volatility: 51.35% (based on the historical share price volatility of comparable companies in the relevant period)
- d. Risk-free interest rate: 1.33% (based on the yields of HKD Hong Kong Sovereign Curve with respective tenors as at the grant date)

DIRECTORS' REPORT

Value of share options granted on 12 November 2021

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

- a. Stock price: HKD3.590 per share (being the closing price of HKD3.590 per Share as of the grant date)
- b. Exercise price: HKD3.590 per share (being the highest price of (i) the closing price of HKD3.590 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the grant date; (ii) the average closing price of HKD3.546 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the grant date; and (iii) the nominal value of a share.)
- c. Expected volatility: 51.53% (based on the historical share price volatility of comparable companies in the relevant period)
- d. Risk-free interest rate: 1.39% (based on the yields of HKD Hong Kong Sovereign Curve with relevant tenors as at the grant date)

Value of share options granted on 10 December 2021

The fair value of the share options granted on 10 December 2021 was HKD67.9 million, and the specific parameters were selected by an independent qualified professional valuer as follows:

- a. Stock price: HKD3.800 per share (being the closing price of HKD3.800 per Share as of the grant date)
- b. Exercise price: HKD3.836 per share (being the highest price of (i) the closing price of HKD3.800 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the grant date; (ii) the average closing price of HKD3.836 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the grant date; and (iii) the nominal value of a share.)
- c. Expected volatility: 51.54% (based on the historical share price volatility of comparable companies in the relevant period)
- d. Risk-free interest rate: 1.37% (based on the yields of HKD Hong Kong Sovereign Curve with relevant tenors as at the grant date)

SHARE AWARD SCHEME

2019 Share Award Scheme

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

As at the date of this report, the trustee under the 2019 Share Award Scheme, namely Bank of Communications Trust Limited (the "2019 Scheme Trustee") held 230,945,000 shares of the Company that have been granted to certain eligible participants thereunder, pending transfer to such grantees (the "2019 Granted Shares").

Under the 2019 Share Award Scheme, the Board shall not make any further grant of award such that the total number of shares granted under such scheme will exceed 10% of the total number of issued shares as of the date of adoption of such scheme (namely 28 December 2018). Since the adoption of the 2019 Share Award Scheme up to the date of this report, a total of 312,620,000 shares have been granted such the 2019 Share Award Scheme, representing approximately 7.2% of the total number of issued shares of the Company as of the date of adoption of such scheme. The Company adopted another share award scheme on 3 March 2022 (the "2022 Share Award Scheme"). Upon adoption of the 2022 Share Award Scheme, the Board expects that no new award will be granted under the 2019 Share Award Scheme, and there were 66,224,000 shares of the Company held by the 2019 Scheme Trustee which were not granted to any eligible participants thereunder (the "2019 Outstanding Shares"). As at the date of this report, these 2019 Outstanding Shares have been transferred to the trustee under the 2022 Share Award Scheme (namely, Futu Trustee Limited) which holds such shares as part of the trust fund thereunder. The 2019 Share Award Scheme will be retained mainly for the purpose of continuing holding the 2019 Granted Shares pending transfer of such shares to the relevant grantees.

1. Objective of the 2019 Share Award Scheme

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

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

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

3. Maximum number of 2019 Scheme Award Shares

Pursuant to the rules of the 2019 Share Award Scheme, the Board shall not make any further grant of 2019 Scheme Award Shares such that the total number of shares granted under the 2019 Share Award Scheme will exceed 10% of the total number of issued shares as at 28 December 2018 (the "2019 SAS Adoption Date"). The maximum number of 2019 Scheme Award shares that may be granted under the 2019 Share Award Scheme is 433,629,120 shares. The number of 2019 Scheme Award Shares that may be granted under the scheme was 121,009,120 as at 1 January 2022 and 31 December 2022. As at the date of this report, the number of 2019 Scheme Award Shares that may be granted under the scheme was 121,009,120, representing approximately 2.61% of the total number of issued shares of the Company. Notwithstanding the above, the Board expects that no new award will be granted under the 2019 Share Award Scheme upon adoption of the 2022 Share Award Scheme.

There is no maximum entitlement to 2019 Scheme Award Shares stipulated for a 2019 Scheme Selected Participant under the 2019 Share Award Scheme.

4. Amount payable for the 2019 Scheme Award Shares

An offer of grant of 2019 Scheme Award Shares shall remain open for acceptance by the 2019 Scheme Selected Participants concerned for ten (10) business days from the date of the offer. In order to receive the 2019 Scheme Award Shares, the grantee shall submit to the Company the documents stipulated under the scheme and pay to the Company the amount specified in the award notice, thereafter the Company will instruct the trustee under the scheme in writing to transfer the corresponding 2019 Scheme Award Shares to the relevant grantee. The purchase price of the 2019 Scheme Award Shares would be the average price paid by the trustee under the 2019 Share Award Scheme for such purchase or subscription of such shares.

5. Vesting period and conditions

All 2019 Scheme Award Shares granted have been vested and the Board does not intend to grant any further 2019 Scheme Award Shares following the adoption of the 2022 Share Award Scheme.

6. Remaining Life of the 2019 Share Award Scheme

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

The table below sets out the movements of 2019 Scheme Award Shares during the period from 1 January 2022 to 31 December 2022:

Grantees	Outstanding award shares as at 1 January 2022	Granted during the year ended 31 December 2022	Exercised during the year ended 31 December 2022	Lapsed during the year ended 31 December 2022	Outstanding award shares as at 31 December 2022
Employees of the Group	299,975,000 (Note)	—	(69,030,000) (Note)	—	230,945,000
Total	299,975,000	—	(69,030,000)	—	230,945,000

Note: As at 1 January 2022, there were 299,975,000 outstanding 2019 Scheme Award Shares, which were granted to six employees of the Group (who are neither a director, chief executive or substantial shareholder of the Company nor their respective associates) on 29 September 2020. Such 2019 Scheme Award Shares do not have a vesting period and such shares have accordingly been vested on 29 September 2020. After vesting, the grantee may only exercise his rights to receive the 2019 Scheme Award Shares if he has paid the price of HKD1.35 per share (which was the average purchase price of the 2019 Scheme Award Shares by the trustee under the 2019 Share Award Scheme) pursuant to the terms set out in the relevant grant letters. For the fair value of 2019 Scheme Award Shares granted and the relevant accounting standard and policy adopted, please refer to notes 34 and 3 to the Consolidated Financial Statements. On 25 July 2022 and 14 October 2022, an aggregate of 69,030,000 2019 Scheme Award Shares were transferred to the grantees. The weighted average closing price of the shares immediately before such 2019 Scheme Award Shares were transferred to these grantees was HKD2.67 per share.

2022 Share Award Scheme

On 3 March 2022, the Company adopted the 2022 Share Award Scheme.

1. Objective of the 2022 Share Award Scheme

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

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

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

3. Maximum number of 2022 Scheme Award Shares

Pursuant to the rules of the 2022 Share Award Scheme, the Board shall not make any further grant of 2022 Scheme Award Shares such that the total number of shares granted under the 2022 Share Award Scheme will exceed 10% of the total number of issued shares as at 3 March 2022 (the "2022 SAS Adoption Date"). The number of 2022 Scheme Award Shares that may be granted under the scheme was 463,003,040 as at 1 January 2022 and 442,253,040 as at 31 December 2022. As at the date of this report, the number of 2022 Scheme Award Shares that may be granted under the scheme was 442,253,040, representing approximately 9.55% of the total number of issued shares of the Company.

There is no maximum entitlement to 2022 Scheme Award Shares stipulated for a 2022 Scheme Selected Participant under the 2022 Share Award Scheme.

4. Amount payable for the 2022 Scheme Award Shares

An offer of grant of 2022 Scheme Award Shares shall remain open for acceptance by the 2022 Scheme Selected Participants concerned for ten (10) business days from the date of the offer. In order to receive the 2022 Scheme Award Shares, the grantee shall submit to the Company the documents stipulated under the scheme and pay to the Company the amount specified in the award notice, thereafter the Company will instruct the trustee under the scheme in writing to transfer the corresponding 2022 Scheme Award Shares to the relevant grantee. The purchase price of the 2022 Scheme Award Shares would be the average price paid by the trustee under the 2022 Share Award Scheme for such purchase or subscription of such shares.

5. Vesting period and conditions

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

6. Remaining Life of the 2022 Share Award Scheme

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

The table below sets out the movements of 2022 Scheme Award Shares during the period from 1 January 2022 to 31 December 2022:

Grantees	Unvested award shares as at 1 January 2022	Granted during the year ended 31 December 2022	Vested during the year ended 31 December 2022	Lapsed during the year ended 31 December 2022	Unvested award shares as at 31 December 2022
Employees of the Group (Note)	—	20,750,000 (Note)	—	—	20,750,000
Total	—	20,750,000	—	—	20,750,000

Note: An aggregate of 20,750,000 2022 Scheme Award Shares were granted to 52 employees of the Group (who are neither a director, chief executive or substantial shareholder of the Company nor their respective associates) on 21 October 2022. Such 2022 Scheme Award Shares shall be vested in the relevant participant in the following manner:

- (a) 5% of the 2022 Scheme Award Shares shall be vested in the participant upon completion of the Group's annual performance assessment for the calendar year ending 31 December 2022;
- (b) 10% of the 2022 Scheme Award Shares shall be vested in the participant upon completion of the Group's annual performance assessment for the calendar year ending 31 December 2023;
- (c) 15% of the 2022 Scheme Award Shares shall be vested in the participant upon completion of the Group's annual performance assessment for the calendar year ending 31 December 2024;
- (d) 20% of the 2022 Scheme Award Shares shall be vested in the participant upon completion of the Group's annual performance assessment for the calendar year ending 31 December 2025;
- (e) 25% of the 2022 Scheme Award Shares shall be vested in the participant upon completion of the Group's annual performance assessment for the calendar year ending 31 December 2026; and
- (f) the remaining 25% of the 2022 Scheme Award Shares shall be vested in the participant upon completion of the Group's annual performance assessment for the calendar year ending 31 December 2027.

The vesting of such shares is subject to the fulfilment of the conditions set out in the grant letter (including performance targets stipulated thereunder). The average purchase price of such 2022 Scheme Award Shares were HKD2.90 per share and the closing price of the shares on the Stock Exchange immediately before the grant was HKD2.75 per share. For the fair value of these 2022 Scheme Award Shares granted and the relevant accounting standard and policy adopted, please refer to notes 34 and 3 to the Consolidated Financial Statements.

During the year ended 31 December 2022, the ratio of the number of shares that may be issued in respect of options and awards granted under all share schemes adopted by the Company (i.e. 229,979,600) to the weighted average number of issued shares for the year (i.e. 4,630,030,400) was approximately 4.97%.

During the year ended 31 December 2022, save as disclosed above (i) there was no participant with share options or awards granted or to be granted by the Company in excess of the 1% individual limit (as defined under Chapter 17 of the Listing Rules); (ii) there was no service provider with share options or awards granted or to be granted by the Company exceeding 0.1% of the total issued shares of the Company in any 12-month period; and (iii) the Company have not granted any share options or awards to any related entity participants or service providers.

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 41 (Related Party Transaction) to the consolidated financial statements, (a) there is no transaction, arrangement or contract of significance subsisting during or at the end of the financial year ended 31 December 2022 in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly; (b) there is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries; and (c) there is no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries.

PERMITTED INDEMNITY PROVISION

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

During the year ended 31 December 2022, permitted indemnity provision as defined in the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) was in force for indemnity against liability incurred by Directors to a third party.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

Related party transaction

During the year ended 31 December 2022, none of the related parties transactions as disclosed in note 41 to the consolidated financial statements in this annual report constituted any non-exempt connected transaction or continuing connected transaction which are required to be disclosed pursuant to the Listing Rules.

In 2022, the related party transactions as set out in the note 41 to the consolidated financial statements in this annual report (other than the above-mentioned) are not "connected transactions" or "continuing connected transactions" of the Company. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules, where applicable.

DIRECTORS' REPORT

TAX RELIEF

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

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

During the year ended 31 December 2022, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2022, none of our Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective close associates had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group which would require disclosure under Rule 8.10 of the Listing Rules.

KEY RELATIONSHIPS WITH STAKEHOLDERS

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

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

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conducts for dealings by Directors in the listed securities of the Company. Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standard as set out in the Model Code during the year ended 31 December 2022.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2022.

AUDITORS

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

On behalf of the Board

XIE Yuehui

Chairman, Executive Director and Chief Executive Officer

29 March 2023



To The Shareholders of Lifetech Scientific Corporation

(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of LifeTech Scientific Corporation (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 67 to 171, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Capitalisation of development costs</i></p> <p>We identified the capitalisation of development costs as a key audit matter due to its significance to the consolidated financial statements and the significant degree of management judgement involved to determine the expenditure to be capitalised.</p> <p>As disclosed in note 18 to the consolidated financial statements, the carrying amount of the Group's development costs included in the intangible assets is RMB 357,990,000 as at 31 December 2022. The Group capitalises significant costs incurred for the development of certain products related to structural heart diseases and peripheral vascular diseases as development costs.</p> <p>Details of the criteria for the expenditure to be capitalised are disclosed in notes 3 and 4 to the consolidated financial statements respectively. The capitalisation involves management's judgement in assessing whether technical and commercial feasibility have been achieved for each of the projects. The assessment of technical feasibility is based on the management assessment of testing results of those products. The assessment of commercial feasibility is evaluated based on the profit forecast of each development project prepared by the management based on certain key assumptions, including revenue to be generated, budget costs and relevant market analysis.</p>	<p>Our procedures in relation to the capitalisation of development costs included:</p> <ul style="list-style-type: none"> • Understanding and testing the Group's key control in relation to capitalisation of development costs; • Obtaining the commercial and technical feasibility report provided by the management and assessing the reasonableness of the commercial and technical feasibility study by reference to the industry and market information; • Obtaining the product testing reports provided by the management and enquiring the management about the technical feasibility of each product; • Performing an analysis of expenditure incurred for each development project and enquired with the management regarding the progress of each project to determine if the criteria for capitalisation were met; • Testing, on a sample basis, the expenditure being capitalised to source documents; and • Obtaining the profit forecast prepared by the management for each development project and assessing the appropriateness of key assumptions, including revenue generated, budget costs to be incurred and relevant market analysis associated with the development project.



INDEPENDENT AUDITOR'S REPORT

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Woo King Wa.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	5	1,097,310	925,334
Cost of sales		(223,382)	(177,800)
Gross profit		873,928	747,534
Other income, expenses, gains and losses	6	52,594	9,756
Impairment losses under expected credit loss model, net of reversal	7	(1,907)	8,510
Selling and distribution expenses		(245,222)	(194,153)
Administration expenses		(102,478)	(97,022)
Research and development expenses		(208,481)	(145,886)
Operating profit		368,434	328,739
Finance income, net	8	11,379	5,059
Share of results of associates		(1,767)	(870)
Profit before tax	9	378,046	332,928
Income tax expense	11	(59,307)	(49,571)
Profit for the year		318,739	283,357
Other comprehensive income (expense):	12		
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gain on investments in equity instruments at FVTOCI, net of tax		191,440	—
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(113)	2,066
Other comprehensive income		191,327	2,066
Total comprehensive income for the year		510,066	285,423
Profit (loss) for the year attributable to:			
Owners of the Company		325,337	292,472
Non-controlling interests		(6,598)	(9,115)
		318,739	283,357
Total comprehensive income (expense) attributable to:			
Owners of the Company		516,664	294,538
Non-controlling interests		(6,598)	(9,115)
		510,066	285,423
Earnings per share	14		
– Basic		RMB7.7 cents	RMB6.8 cents
– Diluted		RMB7.4 cents	RMB6.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	15	727,863	651,962
Right-of-use assets	16	55,528	72,103
Investment properties	17	246,913	142,481
Intangible assets	18	442,406	364,829
Interests in associates	19	42,691	21,520
Financial assets at FVTPL	20	127,417	27,110
Equity instruments at FVTOCI	21	335,387	—
Deposits for acquisition of property, plant and equipment/right-of-use assets		32,642	19,640
Deferred tax assets	22	62,598	46,998
Fixed bank deposits	26(a)	220,000	—
		2,293,445	1,346,643
Current assets			
Inventories	23	241,406	129,286
Trade receivables	24	137,090	110,036
Other receivables and prepayments	25	184,370	121,374
Financial assets at FVTPL	20	—	199,000
Fixed bank deposits	26(a)	—	158,112
Cash and cash equivalents	26(b)	833,792	1,119,264
		1,396,658	1,837,072
Current liabilities			
Trade and other payables	27	531,846	429,610
Contract liabilities	28	10,028	7,223
Tax payables		37,824	34,029
Lease liabilities	31	5,037	11,045
		584,735	481,907
Net current assets		811,923	1,355,165
Total assets less current liabilities		3,105,368	2,701,808

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Government grants	29	37,174	32,080
Lease liabilities	31	4,637	4,626
Financial liabilities at FVTPL	30	142,500	135,000
		184,311	171,706
Net assets		2,921,057	2,530,102
Capital and reserves			
Share capital	32	37	37
Reserves		2,900,408	2,503,545
Equity attributable to owners of the Company		2,900,445	2,503,582
Non-controlling interests		20,612	26,520
Total equity		2,921,057	2,530,102

The consolidated financial statements on pages 67 to 171 were approved and authorised for issue by the board of directors on 29 March 2023 and are signed on its behalf by:

Mr Xie Yuehui
*Executive Director and
Chairman*

Mr Liu Jianxiong
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2022

	Attributable to owners of the Company													Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Investment valuation reserve RMB'000	Share option reserve RMB'000	Reserve for Share Award Scheme RMB'000	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Accumulated profits RMB'000	Total RMB'000			
At 1 January 2021	37	1,607,945	1,475	1,726	50,207	—	63,392	(188,357)	(3)	32,531	771,192	2,340,145	18,345	2,358,490	
Profit (loss) for the year	—	—	—	—	—	—	—	—	—	—	292,472	292,472	(9,115)	283,357	
Other comprehensive income for the year	—	—	—	2,066	—	—	—	—	—	—	—	2,066	—	2,066	
Total comprehensive income (expense) for the year	—	—	—	2,066	—	—	—	—	—	—	292,472	294,538	(9,115)	285,423	
Purchase of shares under Share Award Scheme (note 34)	—	—	—	—	—	—	—	(170,520)	—	—	—	(170,520)	—	(170,520)	
Recognition of equity-settled share-based payments	—	—	—	—	—	—	21,560	—	—	—	—	21,560	—	21,560	
Exercise of share options	—	5,794	—	—	—	—	(2,085)	—	—	—	—	3,709	—	3,709	
Exercise of awarded shares	—	7,314	—	—	—	—	—	6,816	—	—	—	14,130	—	14,130	
Capital contributed by non-controlling interest of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	16,890	16,890	
Disposal of partial interest in a subsidiary	—	—	20	—	—	—	—	—	—	—	—	20	400	420	
	—	13,108	20	2,066	—	—	19,475	(163,704)	—	—	292,472	163,437	8,175	171,612	
At 31 December 2021	37	1,621,053	1,495	3,792	50,207	—	82,867	(352,061)	(3)	32,531	1,063,664	2,503,582	26,520	2,530,102	
Profit (loss) for the year	—	—	—	—	—	—	—	—	—	—	325,337	325,337	(6,598)	318,739	
Other comprehensive (expense) income for the year	—	—	—	(113)	—	191,440	—	—	—	—	—	191,327	—	191,327	
Total comprehensive (expense) income for the year	—	—	—	(113)	—	191,440	—	—	—	—	325,337	516,664	(6,598)	510,066	
Acquisition of a non-wholly owned subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	(100)	(100)	
Purchase of shares under Share Award Scheme (note 34)	—	—	—	—	—	—	—	(268,285)	—	—	—	(268,285)	—	(268,285)	
Recognition of equity-settled share-based payments	—	—	—	—	—	—	65,406	—	—	—	—	65,406	—	65,406	
Exercise of awarded shares	—	7,026	—	—	—	—	—	75,918	—	—	—	82,944	—	82,944	
Capital contributed by non-controlling interest of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	790	790	
Share of reserve of an associated	—	—	134	—	—	—	—	—	—	—	—	134	—	134	
	—	7,026	134	(113)	—	191,440	65,406	(192,367)	—	—	325,337	396,863	(5,908)	390,955	
At 31 December 2022	37	1,628,079	1,629	3,679	50,207	191,440	148,273	(544,428)	(3)	32,531	1,389,001	2,900,445	20,612	2,921,057	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2022

Notes:

- (i) Statutory surplus reserve is non-distributable and the transfer to this reserve is determined according to the relevant laws in the PRC and by the board of directors of the PRC subsidiaries in accordance with the Article of Association of the subsidiaries. Statutory surplus reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.
- (ii) Contribution reserve represents the difference between the fair value of the consideration paid for the acquisition of Lifetech Shenzhen from shareholders and the carrying amount of the share of net assets acquired in August 2006 and it is regarded as a deemed contribution from shareholders under merger accounting.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before tax	378,046	332,928
Adjustments for:		
Amortisation of intangible assets	12,883	9,363
Depreciation of investment properties	6,962	5,716
Depreciation of right-of-use assets	13,275	12,866
Depreciation of property, plant and equipment	33,986	34,106
Loss on fair value change of financial assets at FVTPL	40,570	74,102
Dividend income from unlisted fund	—	(47,759)
Gain on disposal of unlisted participating shares	—	(17,081)
Loss on fair value change of financial liabilities at FVTPL	7,500	—
Finance income, net	(11,379)	(5,059)
Interest income from short-term bank structured deposits	(4,638)	(6,713)
Government grants	(32,195)	(21,913)
Impairment losses under expected credit loss model, net of reversal	1,907	(8,510)
Loss (gain) on disposal of property, plant and equipment	324	(57)
Loss on disposal of intangible assets	17	—
Impairment loss on intangible assets	21,313	—
Loss on early termination of leases	—	111
Share-based payment expenses recognised in profit or loss	62,717	19,734
Share of results of associates	1,767	870
Unrealised foreign exchange loss in financial assets at FVTPL	3,501	1,292
Realised foreign exchange loss in financial assets at FVTPL	—	5,610
Write-down on inventories	588	1,696
Gain on partial disposal of an associate	(12,844)	—
Gain on deemed partial disposal of an associate	—	(5,941)
Operating cash flows before movements in working capital	524,300	385,361
Increase in inventories	(112,708)	(31,359)
(Increase) decrease in trade receivables	(18,339)	56,682
Increase in other receivables and prepayments	(47,611)	(33,954)
Increase in trade and other payables	94,408	114,257
Increase (decrease) in contract liabilities	2,805	(6,993)
Government grants received for operating activities	16,575	16,775
Cash generated from operations	459,430	500,769
Income taxes paid	(71,112)	(59,675)
NET CASH FROM OPERATING ACTIVITIES	388,318	441,094

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES		
Placements of fixed bank deposits	(220,000)	(108,112)
Payment for purchase of property, plant and equipment	(226,372)	(275,822)
Development costs paid	(106,279)	(64,817)
Capital injection in investments in an associate	(24,000)	(3,500)
Payments for intangible assets	(2,822)	(2,646)
Withdrawal of fixed bank deposits	158,112	170,992
Withdrawal of pledged bank deposits	—	108,000
Dividends received from unlisted fund	—	47,759
Interest income received from bank deposits	12,011	7,668
Interest income received from short-term bank structured deposits	4,638	6,713
Government grants received for acquisition of plant and equipment	19,650	6,000
Proceeds from disposal of property, plant and equipment	1,879	503
Purchase of financial assets at FVTPL	(144,378)	(209,000)
Purchase of equity instruments at FVTOCI	(143,947)	—
Proceeds from disposal of financial assets at FVTPL	199,000	277,265
Proceeds on partial disposal of an associate	14,040	—
NET CASH USED IN INVESTING ACTIVITIES	(458,468)	(38,997)
FINANCING ACTIVITIES		
Purchase of shares under Share Award Scheme	(268,285)	(170,520)
Repayments of lease liabilities	(12,465)	(11,433)
Repayments of interests on lease liabilities	(632)	(655)
Proceeds from exercise of share options	—	3,709
Capital contributed by non-controlling interests of subsidiaries	790	16,890
Issue of financial liabilities at FVTPL	—	67,500
Proceeds from exercise of awarded shares	65,391	14,130
Repayments of bank borrowings	—	(174,462)
Interest paid for bank borrowings	—	(1,954)
Proceeds from disposal of partial interest in a subsidiary	—	420
NET CASH USED IN FINANCING ACTIVITIES	(215,201)	(256,375)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(285,351)	145,722
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,119,264	971,683
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(121)	1,859
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	833,792	1,119,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates (“IAS 8”)

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

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

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB10,016,000 and RMB9,674,000, respectively. The application of the amendments is not expected to have significant impact on the Group consolidated financial statements.

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Basis of consolidation - continued

Changes in the Group's interests in existing subsidiaries

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Investments in associates

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Investments in associates - *continued*

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

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

Change in the Group's interests in associates

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

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

Revenue from contracts with customers

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Revenue from contracts with customers - *continued*

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

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

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

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

Variable consideration

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

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

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

Refund Liabilities

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

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

3.2 Significant accounting policies - *continued*

Leases

Definition of a lease

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

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

The Group as lessee

Allocation of consideration to components of a contract

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

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Leases - *continued*

The Group as lessee - *continued*

Right-of-use assets - *continued*

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

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

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

Refundable rental deposits

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

Lease liabilities

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

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

3.2 Significant accounting policies - *continued*

Leases - *continued*

The Group as lessee - *continued*

Lease liabilities - continued

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

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

Lease modifications

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Leases - *continued*

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Refundable rental deposits

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

Lease modification

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Government grants

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

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

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

Employee benefit

Retirement benefit costs

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

Termination benefits

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

Short-term employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees and others providing similar services

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Share-based payments - *continued*

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

Share awarded to employees

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

Taxation

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Taxation - *continued*

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Property, plant and equipment

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Investment properties

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Intangible assets - *continued*

Internally-generated intangible assets - research and development expenditure

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

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

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

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

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

3.2 Significant accounting policies - *continued*

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - *continued*

Classification and subsequent measurement of financial assets - continued

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

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

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

3.2 Significant accounting policies - *continued*

Financial instruments - *continued*

Financial assets - *continued*

*Classification and subsequent measurement of financial assets - *continued**

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment valuation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment valuation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, expenses, gains and losses" line item in profit or loss.

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Financial instruments - *continued*

Financial assets - *continued*

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

(i) Significant increase in credit risk

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

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

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

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

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

3.2 Significant accounting policies - *continued*

Financial instruments - *continued*

Financial assets - *continued*

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - continued

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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

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

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

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

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

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

3.2 Significant accounting policies - *continued*

Financial instruments - *continued*

Financial assets - *continued*

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment valuation reserve is not reclassified to profit or loss, and will continue to be held in the investment valuation reserve.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial liabilities and equity - *continued*

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

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

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

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

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial liabilities and equity - *continued*

Financial liabilities at FVTPL - continued

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

The Group's financial liabilities at FVTPL are shares issued by a subsidiary, as detailed in note 30, which are mandatorily redeemable if certain specific conditions are not met and classified as liabilities.

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

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Capitalisation of development costs

As at 31 December 2022, the carrying amount of the Group's development costs included in the intangible assets is RMB357,990,000 (2021: RMB288,762,000). The capitalisation involved management's judgement in assessing of whether technical and commercial feasibility of each project had been achieved for each of the projects. The assessment of technical feasibility is based on the management assessment of testing results of those products. The assessment of commercial feasibility is evaluated based on the profit forecast of each development project prepared by the management based on certain key assumptions, including revenue to be generated, budget costs and relevant market analysis.

Key sources of estimation uncertainty

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

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

As at 31 December 2022, the fair value of the Group's unlisted equity funds included in financial assets at FVTPL is RMB117,060,000 (2021: RMB17,157,000). The determination of fair value of the financial assets involved management's judgement as the valuations of investments are inherently subjective, particularly in the use of unobservable inputs for the Level 3 valuation. The information about the financial assets at FVTPL and the fair value measurements is disclosed in notes 20 and 39(c), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of sales of medical devices through wholesale and recognised at a point in time

	For the year ended 31 December 2022				For the year ended 31 December 2021			
	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
Types of goods								
Sales of medical devices	394,574	644,343	58,393	1,097,310	331,058	548,533	45,743	925,334
Geographical markets								
China's mainland	261,865	574,795	58,393	895,053	225,184	503,108	45,743	774,035
Europe	42,182	30,482	—	72,664	44,247	24,012	—	68,259
Asia, excluding China's mainland and India	31,471	19,317	—	50,788	24,216	7,613	—	31,829
India	27,312	7,378	—	34,690	15,721	4,510	—	20,231
South America	20,684	9,268	—	29,952	13,776	7,365	—	21,141
Africa	6,287	2,259	—	8,546	5,927	1,223	—	7,150
Others	4,773	844	—	5,617	1,987	702	—	2,689
Total	394,574	644,343	58,393	1,097,310	331,058	548,533	45,743	925,334

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

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, also have the primary responsibility on selling the goods and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days (2021: 30 to 180 days) upon delivery.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information

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

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. Prior year segment disclosures have been represented to conform with the current year's presentation.

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

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

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

Information regarding the above segments is reported below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION - continued

Segment Information - continued

(a) Segment revenue and results

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

For the year ended 31 December 2022

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	394,574	644,343	58,393	1,097,310
Segment profit	352,250	507,978	13,787	874,015
Unallocated income				
- Finance income				12,011
- Other income and other gains				136,437
Unallocated expense				
- Other expenses and losses				(83,843)
- Selling and distribution expenses				(245,222)
- Administration expenses				(102,478)
- Research and development expenses				(208,481)
- Impairment losses under expected credit loss model, net of reversal				(1,994)
- Finance costs				(632)
- Share of results of associates				(1,767)
Profit before tax				378,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(a) *Segment revenue and results - continued*

For the year ended 31 December 2021

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	331,058	548,533	45,743	925,334
Segment profit	296,481	451,542	7,778	755,801
Unallocated income				
- Finance income				7,668
- Other income and other gains				136,574
Unallocated expense				
- Selling and distribution expenses				(194,153)
- Administration expenses				(97,022)
- Research and development expenses				(145,886)
- Impairment losses under expected credit loss model, net of reversal				243
- Other expenses and losses				(126,818)
- Finance costs				(2,609)
- Share of results of associates				(870)
Profit before tax				332,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION - continued

Segment Information - continued

(a) Segment revenue and results - continued

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

(b) Segment assets and liabilities

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

Segment assets

	2022 RMB'000	2021 RMB'000
Operating segments		
Structural heart diseases business	330,622	243,679
Peripheral vascular diseases business	539,908	403,753
Cardiac pacing and electrophysiology business	86,180	77,914
Total segment assets	956,710	725,346
Unallocated assets		
Interests in associates	42,691	21,520
Property, plant and equipment	589,810	528,522
Right-of-use assets	55,528	72,103
Investment properties	246,913	142,481
Deferred tax assets	62,598	46,998
Financial assets at FVTPL	127,417	226,110
Equity instruments at FVTOCI	335,387	—
Other receivables and prepayments	184,370	121,374
Cash and cash equivalents	833,792	1,119,264
Fixed bank deposits	220,000	158,112
Intangible assets	2,245	2,245
Deposits paid for property, plant and equipment/right-of-use assets	32,642	19,640
Consolidated assets	3,690,103	3,183,715

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(b) *Segment assets and liabilities - continued*

Segment liabilities

	2022	2021
	RMB'000	RMB'000
Operating segments		
Structural heart diseases business	68,506	52,660
Peripheral vascular diseases business	111,871	87,253
Cardiac pacing and electrophysiology business	10,138	7,277
Total segment liabilities	190,515	147,190
Unallocated liabilities		
Other payables	348,218	285,438
Tax payables	37,824	34,029
Government grants	40,315	36,285
Lease liabilities	9,674	15,671
Financial liabilities at FVTPL	142,500	135,000
Consolidated liabilities	769,046	653,613

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION - continued

Segment Information - continued

(c) Other segment information

For the year ended 31 December 2022

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Depreciation of property, plant and equipment	11,919	19,464	1,764	839	33,986
Amortisation of intangible assets	4,632	7,565	686	—	12,883
Write-down on inventories	212	345	31	—	588
Impairment losses recognised on trade receivables, net of reversal	(31)	(51)	(5)	—	(87)

For the year ended 31 December 2021

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Depreciation of property, plant and equipment	11,923	19,754	1,647	782	34,106
Amortisation of intangible assets	3,350	5,550	463	—	9,363
Write-down on inventories	607	1,005	84	—	1,696
Impairment losses recognised on trade receivables, net of reversal	(2,957)	(4,901)	(409)	—	(8,267)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(d) Geographical information

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

	Revenue from external customers		Non-current assets	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
China's mainland	895,053	774,035	1,546,523	1,270,932
Europe	72,664	68,259	31	141
Asia, excluding China's mainland and India	50,788	31,829	1,155	1,086
India	34,690	20,231	334	376
South America	29,952	21,141	—	—
Africa	8,546	7,150	—	—
Others	5,617	2,689	—	—
Total	1,097,310	925,334	1,548,043	1,272,535

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

(e) Information about major customer

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2022 RMB'000	2021 RMB'000
Customer A ¹	160,525	N/A ²

¹ Revenue from peripheral vascular diseases business.

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Other income and expenses		
Rental income generated from investment properties	29,258	37,110
Government grants (note 29)	32,195	21,913
Depreciation of investment properties	(6,962)	(5,716)
Dividend income from unlisted fund	—	47,759
Others	(3,252)	(6,280)
	51,239	94,786
Other gains and losses		
Loss from changes in fair value of equity funds	(40,974)	(74,055)
Loss from changes in fair value of financial liabilities at FVTPL	(7,500)	—
Gain on disposal of unlisted participating shares	—	17,081
Unrealised foreign exchange loss in financial assets at FVTPL	(3,501)	(1,292)
Gain (loss) from changes in fair value of hybrid fund	404	(47)
Interest income from short-term bank structured deposits	4,638	6,713
Other net foreign exchange gain (loss)	57,098	(39,317)
Gain on deemed partial disposal of an associate	—	5,941
Gain on partial disposal of an associate	12,844	—
Loss on an early termination of leases	—	(111)
(Loss) gain on disposal of property, plant and equipment and intangible assets	(341)	57
Impairment loss of intangible assets	(21,313)	—
	1,355	(85,030)
	52,594	9,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

	2022 RMB'000	2021 RMB'000
Net impairment (reversal) losses recognised on:		
- Trade receivables	(87)	(8,267)
- Other receivables	1,994	(243)
	<u>1,907</u>	<u>(8,510)</u>

Details of impairment assessment for the years ended 31 December 2022 and 2021 are set out in note 39.

8. FINANCE INCOME, NET

	2022 RMB'000	2021 RMB'000
Finance income from:		
Interest income on bank deposits	12,011	7,668
Finance cost from:		
Interest expense on bank borrowings	—	(1,954)
Interest expense on lease liabilities	(632)	(655)
	<u>(632)</u>	<u>(2,609)</u>
Finance income, net	<u>11,379</u>	<u>5,059</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9. PROFIT BEFORE TAX

	2022 RMB'000	2021 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (note 10)		
Directors' fees	720	480
Salaries, wages and other benefits	219,966	167,068
Performance related bonus	67,237	56,241
Share-based payment expenses	65,406	21,560
Retirement benefits scheme contributions	26,839	18,275
Less: capitalised in development costs, construction in progress and inventories	(43,643)	(37,860)
	336,525	225,764
Auditor's remuneration (including audit and non-audit services)	3,009	2,157
Cost of inventories recognised as expenses (Note i)	223,382	177,800
	33,986	34,106
Depreciation of property, plant and equipment	6,962	5,716
Depreciation of investment properties	13,275	12,866
Depreciation of right-of-use assets	12,883	9,363
Amortisation of intangible assets (Note ii)	(11,591)	(13,198)
Less: capitalised in inventories	55,515	48,853
Total depreciation and amortisation	(29,258)	(37,110)
Gross rental income from investment properties	6,962	5,716
Less: direct operating expenses incurred for investment properties that generated rental income during the year	(22,296)	(31,394)
	(22,296)	(31,394)

Notes:

- (i) For the year ended 31 December 2022, cost of inventories recognised as expenses included write-down on inventories of RMB588,000 (2021: RMB1,696,000).
- (ii) Amortisation of intangible assets is included in cost of sales, selling and distribution expenses, administration expenses and research and development expenses amounting to approximately RMB480,000 (2021: RMB878,000), RMB30,000 (2021: RMB181,000), RMB878,000 (2021: RMB477,000) and RMB11,495,000 (2021: RMB7,827,000) respectively for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

For the year ended 31 December 2022

	Director's fee RMB'000	Salaries RMB'000	Discretionary bonus (Note iii) RMB'000	Other benefit RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive directors:						
Mr. Xie Yuehui (Note i)	—	2,434	3,872	65	76	6,447
Mr. Liu Jianxiong	—	2,336	2,523	51	76	4,986
Non-executive director:						
Mr. Jiang Feng	180	—	—	—	—	180
Independent non-executive directors:						
Mr. Liang Hsien Tse Joseph	180	—	—	—	—	180
Mr. Zhou Luming	180	—	—	—	—	180
Mr. Wang Wansong	180	—	—	—	—	180
	<u>720</u>	<u>4,770</u>	<u>6,395</u>	<u>116</u>	<u>152</u>	<u>12,153</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

For the year ended 31 December 2021

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

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

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

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

Notes:

- (i) Mr. Xie Yuehui also serves as the chief executive of the Company. His emoluments include services rendered as chief executive.
- (ii) Mr. Fu Feng was resigned as a non-executive Director on 19 April 2021.
- (iii) The discretionary bonus were paid by the Group to any of the executive directors and the chief executive, which is determined with reference to the Group's operating results, individual performance and comparable market practices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Of the five individuals with the highest emoluments in the Group, two (2021: two) were directors (one of them is also the Chief Executive Officer) whose emoluments are included above. The emoluments of the remaining three (2021: three) individuals were as follows:

	2022 RMB'000	2021 RMB'000
Employees		
– share-based payment	2,662	297
– salaries and other benefits	6,668	5,877
– performance related bonus	5,887	3,112
– contributions to retirement benefits scheme	283	243
	<u>15,500</u>	<u>9,529</u>

Their emoluments were within the following bands:

	2022 Number of employees	2021 Number of employees
HKD2,500,001 to HKD3,000,000	0	1
HKD3,500,001 to HKD4,000,000	0	1
HKD4,500,001 to HKD5,000,000	1	1
HKD5,000,001 to HKD5,500,000	1	0
HKD8,000,001 to HKD8,500,000	1	0
	<u>3</u>	<u>3</u>

For each of the two years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the directors and the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors nor the chief executive waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	60,499	52,729
Hong Kong Profits Tax	16,575	8,625
Over provision in prior year:		
PRC EIT	(2,167)	(681)
Deferred tax credit (note 22):		
Current year	(15,600)	(11,102)
	<u>59,307</u>	<u>49,571</u>

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Lifetech Shenzhen and Biotyx Medical, two major operating subsidiaries in the PRC. Lifetech Shenzhen was qualified as High and New Technology Enterprise since 2009, which was subsequently renewed in August 2020, and therefore Lifetech Shenzhen is entitled to a preferential income tax rate of 15% for the years ended 31 December 2022 and 2021. Biotyx Medical was qualified as High and New Technology enterprise in December 2021, and therefore Biotyx Medical is entitled to a preferential income tax rate of 15% for the years ended 31 December 2022 and 2021. The qualification of High and New Technology Enterprises is subject to review by relevant authorities in the PRC for every three years.

The applicable income tax rate of Lifetech Scientific India Private Ltd. in the jurisdiction of India is 30.9% on its taxable profits. No provision for taxation in India has been made as there is no assessable profits in India for both years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. INCOME TAX EXPENSE - continued

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

	2022 RMB'000	2021 RMB'000
Profit before tax	378,046	332,928
Tax at the applicable tax rate of 15% (2021: 15%) (Note)	56,707	49,939
Tax effect of expenses not deductible for tax purpose	13,210	5,900
Tax effect of tax losses not recognised	5,338	7,218
Tax effect of additional deductible research and development expenditure	(15,786)	(13,297)
Tax concession under two-tiered profits tax rates regime	(147)	(135)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,152	627
Over provision in respect of prior years	(2,167)	(681)
Income tax expense for the year	59,307	49,571

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

12. OTHER COMPREHENSIVE INCOME (EXPENSE)

	2022 RMB'000	2021 RMB'000
Other comprehensive income (expense) includes:		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain on investments in equity instruments at FVTOCI, net of tax	191,440	—
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(113)	2,066
Other comprehensive income for the year, net of tax	191,327	2,066

13. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. EARNINGS PER SHARE

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

	2022 RMB'000	2021 RMB'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	325,337	292,472
	2022 '000	2021 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	4,233,222	4,309,271
Effect of dilutive potential ordinary shares:		
Share Options	30,499	48,031
Awarded Shares	141,699	205,590
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,405,420	4,562,892

The computation of diluted earnings per share does not assume the conversion certain of the Company's share options because the exercise price of those options was higher than the average market prices for shares for 2022 and 2021.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST							
At 1 January 2021	198,069	65,826	222,525	23,174	26,527	5,481	541,602
Exchange realignment	—	—	(10)	—	(74)	—	(84)
Additions	700	259,722	5,516	269	6,108	1,619	273,934
Reclassification	37	(493)	456	—	—	—	—
Disposals	—	—	(495)	—	(239)	(1,551)	(2,285)
Disposal through disposal of a subsidiary	—	—	(16)	(3,008)	(262)	—	(3,286)
At 31 December 2021	198,806	325,055	227,976	20,435	32,060	5,549	809,881
Exchange realignment	—	—	3	—	44	—	47
Additions	—	201,691	5,783	702	5,042	432	213,650
Reclassification	361,910	(369,886)	494	7,470	12	—	—
Transfer to investment properties	—	(101,552)	—	—	—	—	(101,552)
Disposals	—	—	(14,261)	—	(419)	—	(14,680)
At 31 December 2022	560,716	55,308	219,995	28,607	36,739	5,981	907,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT - *continued*

	Building RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
DEPRECIATION AND IMPAIRMENT							
At 1 January 2021	19,656	—	71,854	18,831	13,881	3,118	127,340
Exchange realignment	—	—	(9)	—	(68)	—	(77)
Provided for the year	7,040	—	20,681	2,063	3,802	520	34,106
Eliminated on disposals	—	—	(385)	—	(156)	(1,298)	(1,839)
Impairment loss recognised in profit or losses	—	—	501	—	—	—	501
Eliminated on disposal through disposal of a subsidiary	—	—	—	(2,011)	(101)	—	(2,112)
At 31 December 2021	26,696	—	92,642	18,883	17,358	2,340	157,919
Exchange realignment	—	—	3	—	52	—	55
Provided for the year	7,053	—	19,086	2,189	5,176	482	33,986
Eliminated on disposals	—	—	(12,092)	—	(385)	—	(12,477)
At 31 December 2022	33,749	—	99,639	21,072	22,201	2,822	179,483
CARRYING VALUES							
At 31 December 2022	526,967	55,308	120,356	7,535	14,538	3,159	727,863
At 31 December 2021	172,110	325,055	135,334	1,552	14,702	3,209	651,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. PROPERTY, PLANT AND EQUIPMENT - *continued*

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

Building	2.13% - 3.33%
Plant and machinery	10% - 20%
Leasehold improvement	20% - 33.3%
Furniture, fixtures and equipment	20%
Motor vehicles	10%

16. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2022			
Carrying amount	45,512	10,016	55,528
As at 31 December 2021			
Carrying amount	56,181	15,922	72,103
For the year ended 31 December 2022			
Depreciation charge	827	12,448	13,275
For the year ended 31 December 2021			
Depreciation charge	1,532	11,334	12,866

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	3,700	1,014
Total cash outflow for leases	16,797	13,102
Addition to right-of-use assets	6,542	19,889

For both years, the Group leases various offices, warehouses and staff dormitories for its operations. Lease contracts for leased properties are entered into for fixed terms of 5 months to 4 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. RIGHT-OF-USE ASSETS - continued

The Group regularly entered into short-term leases for certain offices and staff dormitory. As at 31 December 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense amounted to RMB3,700,000 (2021: RMB1,014,000) disclosed in this note above.

In addition, lease liabilities of RMB9,674,000 (2021: RMB15,671,000) are recognised with related right-of-use assets of RMB10,016,000 (2021: RMB15,922,000) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

17. INVESTMENT PROPERTIES

The Group leases out office buildings under operating leases with rentals payable monthly. The leases typically run for a period of 1 to 10 years (2021: 1 to 10 years) with fixed monthly lease payments except a lease of the underground floor of investment property which contains variable lease payment that is based on 6% to 7% (2021: 6% to 7%) annual sales of lessee and minimum annual lease payment that is fixed over the lease term.

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

	RMB'000
COST	
At 1 January 2021, 31 December 2021 and 1 January 2022	170,764
Transfer from property, plant and equipment and right-of-use assets	111,394
At 31 December 2022	282,158
DEPRECIATION	
At 1 January 2021	22,567
Provided for the year	5,716
At 31 December 2021	28,283
Provided for the year	6,962
At 31 December 2022	35,245
CARRYING VALUES	
At 31 December 2022	246,913
At 31 December 2021	142,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. INVESTMENT PROPERTIES - *continued*

The estimated fair value of the Group's investment properties at 31 December 2022 was RMB805,176,000 (2021: RMB633,795,000). The estimated fair value has been arrived at on the basis of valuations carried out by 深圳中科華資產評估有限公司, independent qualified professional valuers not connected with the Group on 31 December 2022 and 2021.

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

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

The above investment properties including buildings are depreciated on a straight-line basis over 30 to 47 years (2021: 30 to 38 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. INTANGIBLE ASSETS

	Patents RMB'000	Licenses RMB'000	Computer software RMB'000	Development costs RMB'000	Club membership RMB'000	Total RMB'000
COST						
At 1 January 2021	56,045	2,679	5,989	269,424	—	334,137
Additions	72	—	329	66,643	2,245	69,289
Transfer	47,305	—	—	(47,305)	—	—
At 31 December 2021	103,422	2,679	6,318	288,762	2,245	403,426
Additions	414	—	2,408	108,968	—	111,790
Write-off	—	—	(156)	—	—	(156)
Transfer	18,427	—	—	(18,427)	—	—
At 31 December 2022	122,263	2,679	8,570	379,303	2,245	515,060
ACCUMULATED AMORTISATION						
At 1 January 2021	21,672	2,679	4,883	—	—	29,234
Provided for the year	8,768	—	595	—	—	9,363
At 31 December 2021	30,440	2,679	5,478	—	—	38,597
Provided for the year	11,857	—	1,026	—	—	12,883
Write-off	—	—	(139)	—	—	(139)
At 31 December 2022	42,297	2,679	6,365	—	—	51,341
ACCUMULATED IMPAIRMENT						
At 1 January 2021 and 2022	—	—	—	—	—	—
Provided for the year	—	—	—	21,313	—	21,313
At 31 December 2022	—	—	—	21,313	—	21,313
CARRYING VALUES						
At 31 December 2022	79,966	—	2,205	357,990	2,245	442,406
At 31 December 2021	72,982	—	840	288,762	2,245	364,829

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18. INTANGIBLE ASSETS - continued

All of the Group's computer software was acquired from third parties. Licences and certain of the above patents were purchased as part of a business combination in prior years. As at 31 December 2022, patents with carrying amount of RMB74,747,000 (2021: RMB67,011,000) were internally generated.

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

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

During the year, management has assessed the risk and the profitability of projects and determined to suspend the development of certain projects, an impairment loss of RMB21,313,000 (2021: Nil) was recognised in the profit and loss.

19. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Cost of investment in associates	48,150	25,212
Share of post-acquisition loss and other comprehensive expense	(5,459)	(3,692)
	42,691	21,520

The following set out the particulars of the associates of the Group as at 31 December 2022 and 2021, which in the opinion of the directors, principally affected the results or net assets of the Group:

Name of entities	Country of incorporation	Place of business	Proportion of ownership interest held by the Group		Principle activities
			2022	2021	
深圳市先健創興天使投資合夥企業 (有限合夥) (Note i)	The PRC	The PRC	50%	—	Investing
深圳高性能醫療器械國家研究院有限公司("Joint Laboratory") (Note ii)	The PRC	The PRC	10.42%	10.42%	Developing medical devices
深圳市先健心康醫療電子有限公司("Shenzhen Cardio") (Note iii)	The PRC	The PRC	13.51%	31.62%	Developing, manufacturing and trading of medical Devices
深圳市領先醫療服務有限公司 ("Advanced Medical")	The PRC	The PRC	40%	40%	Consulting and technology services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19. INTERESTS IN ASSOCIATES - continued

Notes:

- (i) On 4 August 2022, the Group entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for interest of the partnership enterprise, as a limited partner. The Group is able to exercise significant influence over the partnership enterprise because the Group is entitled to appoint three of the seven members under its Investment Committee.
- (ii) The Group continues to be able to exercise significant influence over Joint Laboratory because the Group is entitled to appoint one of the five directors under its Articles of Association.
- (iii) During the year ended 31 December 2022, the Group has disposed certain of its equity interest in Shenzhen Cardio to independent third parties at cash consideration of approximately RMB14.0 million. Upon the completion of such partial disposal, the Group's equity interest in Shenzhen Cardio decreased from 31.62% to 13.51%. The Group is still able to exercise significant influence over Shenzhen Cardio because the Group is entitled to appoint one of the five directors under its Articles of Association.

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

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

20. FINANCIAL ASSETS AT FVTPL

	2022 RMB'000	2021 RMB'000
Financial assets mandatorily measured at FVTPL:		
Non-current assets		
Unlisted funds		
– Equity funds (Note i)	117,060	17,157
– Hybrid fund (Note ii)	10,357	9,953
	<u>127,417</u>	<u>27,110</u>
Current assets		
Short-term bank structured deposits (note 39)	—	199,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

20. FINANCIAL ASSETS AT FVTPL - *continued*

Notes:

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

On 24 October 2022, the Group entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for interest of a private equity fund ("2022 Equity Fund"), as a limited partner, for an aggregate consideration of USD20,000,000 (equivalent to approximately RMB144,378,000) in cash. The purposes of the 2022 Equity Fund are to seek capital appreciation primarily by acquiring, holding and disposing of securities, independently or with others, primarily in non-listed or, sometimes, listed persons involved in the healthcare industry, with a particular focus on leading innovative technologies.

- (ii) On 8 January 2021, the Group entered into a contract to purchase a hybrid fund unit ("Hybrid Fund") with a financial institution, which was accounted for as financial assets at FVTPL on initial recognition, for a consideration of RMB10,000,000 in cash.

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

The equity funds and hybrid fund are accounted for as financial assets at FVTPL in accordance with IFRS 9. In the opinion of the directors of the Company, these funds are held for long-term strategic investment purposes and as such, the investments are classified as non-current.

The Group holds 9.69% (2021: 9.96%) and 34.48% (2021: nil) interest respectively in the 2018 Equity Fund and 2022 Equity Fund at the end of reporting period.

During the year ended 31 December 2021, the 2018 Equity Fund distributed dividend income approximately RMB47,759,000 to the Group. There was no dividend income during the year ended 31 December 2022.

Details about valuation techniques and key inputs of the fair values of the equity funds and hybrid fund are disclosed in note 39(c)(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. EQUITY INSTRUMENTS AT FVTOCI

	2022 RMB'000	2021 RMB'000
Listed:		
- Equity securities listed in Hong Kong (Note)	335,387	—

Note:

On 21 September 2022, the Group entered into a subscription agreement with Jenscare Scientific pursuant to which the Group agreed to subscribe for shares of the company upon the initial public offering, as a cornerstone investor, for an aggregate consideration of USD20,000,000 (equivalent to approximately RMB143,947,000) in cash with the subscription price of HKD27.8 per share. There is a lock-up period of six months upon the initial public offering on 10 October 2022.

These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Group have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

22. DEFERRED TAX ASSETS

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

	2022 RMB'000	2021 RMB'000
Deferred tax assets	62,598	46,998

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

	Impairment			Share-based expense	Unrealised profit on inventories	Right-of-use		Total
	Government grant	loss on financial assets	Impairment loss on inventories			assets and lease liabilities	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	4,541	2,193	1,245	2,530	11,272	(144)	14,259	35,896
(Charge) credit to profit or loss	902	(1,269)	116	2,641	2,134	40	6,538	11,102
At 31 December 2021	5,443	924	1,361	5,171	13,406	(104)	20,797	46,998
(Charge) credit to profit or loss	605	286	(224)	9,358	2,679	27	2,869	15,600
At 31 December 2022	6,048	1,210	1,137	14,529	16,085	(77)	23,666	62,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

22. DEFERRED TAX ASSETS - *continued*

At the end of the reporting period, the Group has unused tax losses of approximately RMB180,856,000 (2021: approximately RMB145,561,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

	2022 RMB'000	2021 RMB'000
2022	—	293
2023	909	909
2024	11,493	11,493
2025	55,170	55,170
2026	77,696	77,696
2027	35,588	—
	180,856	145,561

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,812,708,000 (2021: RMB1,464,477,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

23. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	113,670	42,675
Work in progress	60,158	38,200
Finished goods	67,578	48,411
	241,406	129,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables from contracts with customers	140,846	113,879
Less: allowance for credit losses	(3,756)	(3,843)
	<u>137,090</u>	<u>110,036</u>

Trade receivables mainly arose from sales of medical devices.

The Group normally allows a credit period of 30 to 180 days (2021: 30 to 180 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2022 RMB'000	2021 RMB'000
1 to 90 days	107,046	78,327
91 to 180 days	16,388	25,726
181 to 365 days	13,224	5,745
Over 365 days	432	238
	<u>137,090</u>	<u>110,036</u>

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB18,780,000 (2021: RMB14,303,000) which are past due as at the reporting date. Out of the past due balances, RMB2,697,000 (2021: RMB2,978,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables for the years ended 31 December 2022 and 2021 are set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

25. OTHER RECEIVABLES AND PREPAYMENTS

	2022 RMB'000	2021 RMB'000
Other debtors (Note)	33,156	23,574
Value added tax deductible	45,296	28,349
Prepayments	56,629	28,242
Advance to employees - interest free	44,665	37,514
Rental deposits	3,600	2,745
Other deposits	1,024	950
	184,370	121,374

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

Included in the amount as at 31 December 2022 was the balance to an associate amounting to RMB4,045,000 (2021: RMB3,413,000). Details of the relevant transactions are set out in note 41.

Details of impairment assessment of other receivables for the years ended 31 December 2022 and 2021 are set out in note 39.

26. FIXED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

(a) As at 31 December 2022, the fixed bank deposits carry interest from 2.7% to 3.5% per annum upon maturity or carry at floating rate based on daily bank deposit rate if early redemption at any time before the maturity date. The deposits is classified as non-current assets as the deposit will mature after twelve months from the end of the reporting period.

As at 31 December 2021, the fixed bank deposits were matured within twelve months from the end of the reporting period with fixed rates ranged from 0.29% to 2.8% per annum.

(b) Cash and cash equivalents include demand deposits which carry interest at market rates range from 0.01% to 0.35% (2021: 0.01% to 0.35%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

27. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	62,648	30,756
Other payables:		
Government grants (note 29)	3,141	4,205
Accrued payroll and bonus	94,696	69,325
Rental deposits	9,626	6,465
Refund liabilities (Note i)	117,839	109,211
Other payables (Note ii)	37,632	32,009
Construction payables	10,084	9,820
Accrued expenses	188,467	158,781
Value-added tax payables	3,560	6,391
Other tax payables	4,153	2,647
	469,198	398,854
	531,846	429,610

Notes:

- (i) The refund liabilities are arisen from outstanding rebates in relation to the goods sold to certain customers.
- (ii) Included in the amount as at 31 December 2022 was the balance to an associate amounting to RMB7,476,000 (2021: RMB4,581,000). Details of the relevant transactions are set out in note 41.

The credit period granted by suppliers to the Group ranged from 30 to 120 days (2021: 30 to 120 days). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
0 - 30 days	23,633	16,234
31 - 60 days	16,176	9,159
61 - 90 days	14,317	2,502
91 - 120 days	4,227	1,617
Over 120 days	4,295	1,244
	62,648	30,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

28. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Medical devices	10,028	7,223

Contract liabilities are recognised when the Group receives amounts from customers before goods are transferred, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received. Contract liabilities that are expected to be settled within the Group's normal operating cycle, are classified as current based on the Group's earliest obligation to transfer goods or services to the customers.

Revenue recognised during the years ended 31 December 2022 and 2021 included amount to RMB 6,362,000 and RMB12,581,000 of contract liabilities at the beginning of the respective reporting period. There was no revenue recognised during the year ended 31 December 2022 that related to performance obligations that were satisfied in prior years (2021:nil).

As at 1 January 2021, contract liabilities amounted to RMB14,216,000.

29. GOVERNMENT GRANTS

	2022 RMB'000	2021 RMB'000
Government grants related to assets:		
At beginning of the year	36,285	35,423
Additions	19,650	6,000
Released to profit or loss	(15,620)	(5,138)
At end of the year	40,315	36,285
Classified as:		
Current liabilities (included in other payables)	3,141	4,205
Non-current liabilities	37,174	32,080
	40,315	36,285

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

During the year ended 31 December 2022, the Group recognised income of RMB32,195,000 (2021: RMB21,913,000), of which RMB16,575,000 (2021: RMB16,775,000) is directly received and recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

30. FINANCIAL LIABILITIES AT FVTPL

	2022 RMB'000	2021 RMB'000
Capital injection from other investors	142,500	135,000

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

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

Through financial risk management measures as detailed in note 39, the Group expects that it will be able to satisfy its redemption obligations in the case that the above specific conditions happen.

31. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
Lease liabilities payable:		
Within one year	5,037	11,045
Within a period of more than one year but not more than two years	2,703	2,800
Within a period of more than two years but not more than five years	1,934	1,826
	9,674	15,671
Less: Amount due for settlement within 12 months shown under current liabilities	(5,037)	(11,045)
Amount due for settlement after 12 months shown under non-current liabilities	4,637	4,626

The weighted average incremental borrowing rates applied to lease liabilities is 5.82% (2021: 5.82%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. SHARE CAPITAL

	Number of shares	Amount USD	
Ordinary shares			
Authorised:			
At 1 January 2021, 31 December 2021 and 2022 at USD0.00000125 each	40,000,000,000	50,000	
	Number of shares	Amount USD	Shown in the consolidated statement of financial position as RMB'000
Issued and fully paid:			
At 1 January 2021	4,626,998,400	5,785	37
Exercise of share options	3,032,000	4	— *
At 31 December 2021 and 2022	4,630,030,400	5,789	37

* Less than RMB1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2022 RMB'000	2021 RMB'000
Non-current assets		
Property, plant and equipment	1,156	1,086
Interests in subsidiaries	382,211	317,121
Equity instruments at FVTOCI	335,387	—
	718,754	318,207
Current assets		
Other receivables	21,532	1,796
Amounts due from subsidiaries	122,561	169,530
Bank balances and cash	58,869	482,385
	202,962	653,711
Current liabilities		
Other payables	12,589	16,105
Amounts due to subsidiaries	31,683	156,950
	44,272	173,055
Net current assets	158,690	480,656
Net assets	877,444	798,863
Capital and Reserves		
Share capital	37	37
Reserves	877,407	798,826
Total equity	877,444	798,863

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Movement in reserves

	Share premium RMB'000	Share option reserve RMB'000	Shares held for Share Award Scheme RMB'000	Investment valuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	1,607,945	63,392	(188,357)	—	(493,476)	989,504
Recognition of equity-settled share-based payments	—	21,560	—	—	—	21,560
Exercise of share options	5,794	(2,085)	—	—	—	3,709
Exercise of awarded shares	7,314	—	6,816	—	—	14,130
Purchase of shares under Share Award Scheme	—	—	(170,520)	—	—	(170,520)
Loss and the total comprehensive expense for the year	—	—	—	—	(59,557)	(59,557)
At 31 December 2021	1,621,053	82,867	(352,061)	—	(553,033)	798,826
Recognition of equity-settled share-based payments	—	65,406	—	—	—	65,406
Exercise of awarded shares	7,026	—	75,918	—	—	82,944
Purchase of shares under Share Award Scheme	—	—	(268,285)	—	—	(268,285)
Profit for the year	—	—	—	—	7,076	7,076
Other comprehensive income for the year	—	—	—	191,440	—	191,440
At 31 December 2022	1,628,079	148,273	(544,428)	191,440	(545,957)	877,407

34. SHARE-BASED PAYMENT TRANSACTIONS**(a) Share option scheme**

The previous share option scheme adopted by the Company on 22 October 2011 which was amended by a unanimous written resolution of the Board on 5 May 2015 (the "Previous Scheme") was terminated pursuant to an ordinary resolution passed by the shareholders at the EGM on 17 September 2021 and the shares already granted are still effective until the end of the exercisable period. A new share option scheme (the "Share Option Scheme") in place of the Previous Scheme was adopted by the Company with effect from 17 September 2021 which has a term of 10 years. The purpose of the Share Option Scheme is to enable the Company to grant options to any full-time or part-time employees, Directors (including executive, non-executive or independent non-executive), any consultants or advisers (whether professional or otherwise), supplier, service provider, customer, business partner, shareholder, any person or entity that provides design, R&D or other technological support and any other group or classes of participants who have contributed or may contribute to the development and growth of the Company and/or any entity in which the Company holds an equity interest (collectively the "Share Option Scheme Eligible Participants").

At 31 December 2022, the number of shares in respect of which options had been granted and remained outstanding under the Previous Scheme was 99,539,600 (2021: 101,109,600), representing 2.15% (2021: 2.18%) of the shares of the Company in issue at that day. No further share options may be granted under the Previous Scheme (2021: 33,320,000).

The total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes is not permitted to exceed 10% of the shares of the issued share capital of the Company as at 17 September 2021, adoption of the Share Option Scheme, without prior approval from the Company's shareholders. The total number of shares issued and to be issued upon exercise of the options granted to each Share Option Scheme Eligible participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company, without prior approval from the Company's shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The following table discloses movements of the Previous Scheme held by directors and employees during the year ended 31 December 2022:

Types	Outstanding at 1 January 2022	Lapsed during the year (Note)	Outstanding at 31 December 2022
Share options granted on 5 May 2015:			
Batch I	11,816,000	—	11,816,000
Batch II	12,653,200	—	12,653,200
Batch III	14,094,800	—	14,094,800
Batch IV	15,673,200	—	15,673,200
Batch V	15,952,400	—	15,952,400
Share options granted on 31 March 2021:			
Batch I	9,276,000	(450,000)	8,826,000
Batch II	9,276,000	(480,000)	8,796,000
Batch III	12,368,000	(640,000)	11,728,000
Total	101,109,600	(1,570,000)	99,539,600
Exercisable at the end of the year			78,790,600
Weighted average exercise price	HKD2.108	HKD3.570	HKD2.085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. SHARE-BASED PAYMENT TRANSACTIONS - continued

(a) Share option scheme - continued

The following table discloses movements of the Previous Scheme held by directors and employees during the year ended 31 December 2021:

Types	Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year (Note)	Outstanding at 31 December 2021
Share options granted on 5 May 2015:					
Batch I	12,096,400	—	(280,400)	—	11,816,000
Batch II	13,633,600	—	(980,400)	—	12,653,200
Batch III	15,052,400	—	(957,600)	—	14,094,800
Batch IV	16,190,800	—	(517,600)	—	15,673,200
Batch V	16,248,400	—	(296,000)	—	15,952,400
Share options granted on 31 March 2021:					
Batch I	—	9,996,000	—	(720,000)	9,276,000
Batch II	—	9,996,000	—	(720,000)	9,276,000
Batch III	—	13,328,000	—	(960,000)	12,368,000
Total	73,221,600	33,320,000	(3,032,000)	(2,400,000)	101,109,600
Exercisable at the end of the year					70,189,600
Weighted average exercise price	HKD1.464	HKD3.570	HKD1.464	HKD3.570	HKD2.108

No share options were exercised during the year (2021: 3,032,000), and the closing market price (weighted average) immediately before the dates on which the share options exercised in 2021 was HKD4.810.

Note: Certain employees resigned during the year and respective share options were lapsed accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

Details of specific categories of share options under the Previous Scheme are as follows:

Granted on 5 May 2015

Types	Vesting period	Exercisable period	Grant date fair value per option HKD
Batch I	12 months	5 May 2016 - 4 May 2025	0.8124
Batch II	24 months	5 May 2017 - 4 May 2025	0.8213
Batch III	36 months	5 May 2018 - 4 May 2025	0.8267
Batch IV	48 months	5 May 2019 - 4 May 2025	0.8323
Batch V	60 months	5 May 2020 - 4 May 2025	0.8428

Fair value of share options granted on 5 May 2015 HKD132,338,000

Granted on 31 March 2021

Types	Vesting period	Exercisable period	Grant date fair value per option HKD
Batch I	12 months	31 March 2022 - 30 March 2031	1.4360
Batch II	24 months	31 March 2023 - 30 March 2031	1.5833
Batch III	36 months	31 March 2024 - 30 March 2031	1.7154

Fair value of share options granted on 31 March 2021 HKD 53,044,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. SHARE-BASED PAYMENT TRANSACTIONS - continued

(a) Share option scheme - continued

In respect of the share options under the Previous Scheme granted on 5 May 2015 and 31 March 2021, the fair values were calculated using the Binomial Model. The inputs into the model were as follows:

Batch	Number of options	Expected life year	Initial share price of underlying shares HKD	Exercise price HKD	Risk free rate %	Dividend yield %	Volatility %
Share options granted on 5 May 2015:							
Batch I	32,000,000	7.75	1.410	1.464	1.51	0	55.33
Batch II	32,000,000	8.00	1.410	1.464	1.52	0	55.12
Batch III	32,000,000	8.25	1.410	1.464	1.53	0	54.62
Batch IV	32,000,000	8.50	1.410	1.464	1.55	0	54.18
Batch V	32,000,000	8.75	1.410	1.464	1.56	0	54.19
Share options granted on 31 March 2021:							
Batch I	9,996,000	10.00	3.570	3.570	1.33	0	51.35
Batch II	9,996,000	10.00	3.570	3.570	1.33	0	51.35
Batch III	13,328,000	10.00	3.570	3.570	1.33	0	51.35

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

For the year ended 31 December 2022, the Group recognised approximately RMB 14,074,000 (2021: approximately RMB13,382,000) share-based payment expenses in profit or loss in relation to the Previous Scheme, of which, approximately RMB869,000 (2021: approximately RMB792,000) was included in cost of sales, approximately RMB 4,212,000 (2021: approximately RMB3,694,000) was included in research and development expenses, approximately RMB3,740,000 (2021: approximately RMB3,220,000) was included in administrative expenses and approximately RMB5,253,000 (2021: approximately RMB5,676,000) was included in selling and distribution expenses. In addition, approximately RMB720,000 (2021: approximately RMB1,277,000) was capitalised in development costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The following table discloses movements of the Share Option Scheme during the years ended 31 December 2022 and 2021:

Types	Granted during the year 2021 and outstanding at 31 December 2021 and 1 January 2022	Lapsed during the year 2022 (Note i)	Outstanding at 31 December 2022
Share options granted on 12 November 2021:			
Batch I	10,180,000	(595,000)	9,585,000
Batch II	15,270,000	(892,500)	14,377,500
Batch III	20,360,000	(1,190,000)	19,170,000
Batch IV	25,450,000	(1,487,500)	23,962,500
Batch V	30,540,000	(1,785,000)	28,755,000
Share options granted on 10 December 2021:			
Employees			
Batch I	1,100,000	(41,000)	1,059,000
Batch II	1,650,000	(61,500)	1,588,500
Batch III	2,200,000	(82,000)	2,118,000
Batch IV	2,750,000	(102,500)	2,647,500
Batch V	3,300,000	(123,000)	3,177,000
Consultants (Note ii)			
Batch I	2,400,000	—	2,400,000
Batch II	3,600,000	—	3,600,000
Batch III	4,800,000	—	4,800,000
Batch IV	6,000,000	—	6,000,000
Batch V	7,200,000	—	7,200,000
Total	136,800,000	(6,360,000)	130,440,000
Exercisable at the end of the year			—
Weighted average exercise price	HKD3.653	HKD3.606	HKD3.655

Notes:

- (i) Certain employees resigned during the year and respective share option lapsed accordingly.
- (ii) These consultants perform services that are similar to services currently provided by employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

Details of specific categories of share options under the Share Option Scheme are as follows:

Granted on 12 November 2021

Types	Vesting period	Exercisable period	Grant date fair value per option HKD
Batch I	18 months	30 April 2023 - 11 November 2031	1.5815
Batch II	30 months	30 April 2024 - 11 November 2031	1.7065
Batch III	42 months	30 April 2025 - 11 November 2031	1.8149
Batch IV	54 months	30 April 2026 - 11 November 2031	1.9084
Batch V	66 months	30 April 2027 - 11 November 2031	1.9890

Fair value of share options granted on 12 November 2021 HKD 188,423,000

Granted on 10 December 2021

Types	Vesting period	Exercisable period	Grant date fair value per option HKD
Batch I	17 months	30 April 2023 - 9 December 2031	1.6531
Batch II	29 months	30 April 2024 - 9 December 2031	1.7860
Batch III	41 months	30 April 2025 - 9 December 2031	1.9021
Batch IV	53 months	30 April 2026 - 9 December 2031	2.0023
Batch V	65 months	30 April 2027 - 9 December 2031	2.0889

Fair value of share options granted on 10 December 2021 HKD 67,930,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

In respect of the share options under the Share Option Scheme granted on 12 November 2021 and 10 December 2021, the fair values were calculated using the Binomial Model. The inputs into the model were as follows:

	Share options granted on 12 November 2021	Share options granted on 10 December 2021
Stock price (representing the closing price of the shares of the Company on the date of grant)	HKD3.590	HKD3.800
Exercise price	HKD3.590	HKD3.836
Expected volatility	51.53%	51.54%
Risk-free rate	1.39%	1.37%
Expected life period	10 years	10 years
Expected dividend yield	—	—

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

For the year ended 31 December 2022, the Group recognised approximately RMB46,333,000 (2021: approximately RMB6,352,000) share-based payment expenses in profit or loss in relation to the Share Option Scheme, of which, approximately RMB2,328,000 (2021: approximately RMB470,000) was included in cost of sales, approximately RMB9,568,000 (2021: approximately RMB1,656,000) was included in research and development expenses, approximately RMB 4,922,000 (2021: approximately RMB890,000) was included in administrative expenses and approximately RMB29,515,000 (2021: approximately RMB3,336,000) was included in selling and distribution expenses. In addition, approximately RMB1,870,000 (2021: approximately RMB549,000) was capitalised in development costs.

34. SHARE-BASED PAYMENT TRANSACTIONS - continued**(b) Share Award Scheme***The 2019 Share Award Scheme*

On 28 December 2018, the Company adopted a share award scheme which was subsequently amended by unanimous written resolutions of the Board on 29 April 2019 (the "2019 Share Award Scheme"). The purpose of the 2019 Share Award Scheme is (i) to recognise and motivate the contributions by certain eligible participants and to incentivise them and retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain eligible participants with a direct economic interest in attaining a long-term relationship between the Group and certain eligible participants.

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

The 2019 Share Award Scheme shall be valid and effective for a term of 10 years commencing on 28 December 2018, after which no further 2019 Scheme Award Share may be offered.

During the year ended 31 December 2022, the Company instructed the Bank of Communications Trustee Limited (the "2019 Scheme Trustee") to repurchase 11,462,000 (2021: 54,762,000) ordinary shares from the market at a consideration of RMB30,684,000 (2021: RMB170,520,000) in accordance with the 2019 Share Award Scheme and the ordinary shares will be granted to any employee, executive and non-executive director of the Company (the "2019 SAS Eligible Participants") who will contribute to the Company.

As at 31 December 2022, the 2019 Scheme Trustee held certain shares, of which 312,620,000 shares that have been granted to certain eligible participants thereunder (and that are already vested) while 81,675,000 shares have been transferred to such grantees (the "2019 Granted Shares").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. SHARE-BASED PAYMENT TRANSACTIONS - continued

(b) Share Award Scheme - continued

The 2019 Share Award Scheme - continued

The following table discloses movements of the 2019 Share Award Scheme during the year ended 31 December 2022 and 2021:

	Granted during the year 2020 and outstanding at 31 December 2020 and 1 January 2021	Exercised during the year ended 31 December 2021	Outstanding at 31 December 2021 and 1 January 2022	Exercised during the year ended 31 December 2022	Outstanding at 31 December 2022
Granted on 29 September 2020:	312,620,000	(12,645,000)	299,975,000	(69,030,000)	230,945,000
Exercisable at the end of the year					230,945,000
Exercise price	HKD1.350	HKD1.350	HKD1.350	HKD1.350	HKD1.350

For the years ended 31 December 2022 and 2021, the Group has not recognised any expenses in the profit or loss, considering there are no vesting conditions attached to 2019 Scheme Award Shares.

The 2022 Share Award Scheme

On 2 March 2022, the Company adopted a share award scheme ("2022 Share Award Scheme"). The purpose of the 2022 Share Award Scheme is (i) to recognise and motivate the contributions by certain eligible participants and to incentivise them and retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain eligible participants with a direct economic interest in attaining a long-term relationship between the Group and certain eligible participants.

Pursuant to the rules of the 2022 Share Award Scheme, the board shall not make any further grant of 2022 Scheme Award Shares such that the total number of shares granted under the 2022 Share Award Scheme will exceed 10% of the total number of issued shares as at 3 March 2022 (the "2022 SAS Adoption Date"). The maximum number of 2022 Scheme Award Shares that may be granted under the 2022 Share Award Scheme is 463,003,040 shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. SHARE-BASED PAYMENT TRANSACTIONS - continued

(b) Share Award Scheme - continued

The 2022 Share Award Scheme - continued

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

On 25 July 2022, the 2019 Outstanding Shares have been transferred to Futu Trustee Limited (the "2022 Scheme Trustee") under the 2022 Share Award Scheme, which will hold such shares as part of the trust fund thereunder, whilst the 2019 Granted Shares will continue to be held by 2019 Scheme Trustee.

During the year ended 31 December 2022, the Company instructed the 2022 Scheme Trustee to repurchase an aggregate of 114,382,000 ordinary shares from the market at a consideration of RMB237,601,000 in accordance with the 2022 Share Award Scheme and the ordinary shares will be granted to any employee, executive and non-executive director of the Company (the "2022 SAS Eligible Participants") who will contribute to the Company.

Based on an unanimous written resolutions of the board of directors of the Company dated 21 October 2022, pursuant to the grant notices and vesting notices to 2022 SAS Eligible Participants dated the same date, a total of 20,750,000 shares of the Company have been granted by the Company to certain senior management/employees at no price and the vesting period under the Restricted Share Award Scheme ranges from six months to six years.

The following table discloses movements of the 2022 Share Award Scheme during the year ended 31 December 2022:

	Granted during the year and outstanding at 31 December 2022
Shares granted on 21 October 2022:	20,750,000

The fair value of the granted share are based on the closing price of the shares at the grante date.

For the year ended 31 December 2022, the Group recognised approximately RMB2,310,000 share-based payment expenses in profit or loss in relation to the 2022 Share Award Scheme, of which, approximately RMB676,000 was included in research and development expenses, approximately RMB189,000 was included in administrative expenses and approximately RMB1,445,000 was included in selling and distribution expenses. In addition, approximately RMB99,000 was capitalised in development costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

35. OPERATING LEASES ARRANGEMENTS

The Group as lessor

All of the investment properties held by the Group for rental purpose have committed leases for the next 1 to 10 years.

Undiscounted lease payments receivable on leases are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	43,139	31,354
In the second year	35,184	16,713
In the third year	27,314	10,654
In the fourth year	23,301	9,200
In the fifth year	18,881	5,701
Over five years	41,916	3,607
	<u>189,735</u>	<u>77,229</u>

36. CAPITAL COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the consolidated financial statements	<u>89,775</u>	<u>128,396</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37. RETIREMENT BENEFITS SCHEME

The Group operates numbers of defined contribution plans across its geographies, The PRC retirement benefit scheme is the retirement arrangement of material size. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The Group operates a MPF Scheme for all qualifying employees in Hong Kong.

The total cost paid or payable of approximately RMB26,839,000 for the year ended 31 December 2022 (2021: approximately RMB18,275,000).

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the financial liabilities at FVTPL disclosed in note 30, the lease liabilities disclosed in note 31, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure mainly through new share issues and share buy-backs.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Mandatorily measured at FVTPL		
– Short-term bank structured deposits	—	199,000
– Unlisted funds	127,417	27,110
Amortised cost	1,227,850	1,411,936
Equity instruments at FVTOCI		
– Equity securities listed in Hong Kong	335,387	—
Financial liabilities		
Designated at FVTPL	142,500	135,000
Amortised cost	119,990	79,050
Lease liabilities	9,674	15,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade receivables, other receivables, fixed bank deposits, bank balances and cash, trade and other payables, financial liabilities at FVTPL and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances, financial assets at FVTPL, equity instruments at FVTOCI, trade receivables, other receivables and certain trade and other payables are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rates.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting date are as follows:

	2022 RMB'000	2021 RMB'000
Assets		
USD	335,255	307,963
Euro ("EUR")	54,665	69,838
Hong Kong Dollars ("HKD")	395,827	389,306
India Rupees ("INR")	18,247	12,077
Canadian Dollars ("CAD")	533	206
Liabilities		
USD	17,693	12,393
EUR	1,842	1,928
INR	616	594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Market risk - continued

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2021: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

For the years ended 31 December 2022 and 2021, a positive (negative) number below indicates an increase (a decrease) in profit after tax where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit after tax for the year.

	2022 RMB'000	2021 RMB'000
USD		
Profit or loss	(13,496)	(12,562)
EUR		
Profit or loss	(2,245)	(2,886)
HKD		
Profit or loss	(16,823)	(16,546)
INR		
Profit or loss	(749)	(488)
CAD		
Profit or loss	(23)	(9)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Market risk - continued

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, and lease liabilities (see notes 26 and 31 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 26 for details). The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

The management of the Group considers that the impact to profit or loss for the year ended 31 December 2022 are insignificant for a reasonable change in the market interest rate. Accordingly, no sensitivity analysis is prepared.

Other price risk

The Group is exposed to equity price risk through its investment in equity securities at FVTOCI listed in Hong Kong and the unlisted equity funds or unlisted hybrid fund measured at FVTPL.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date.

The sensitivity analysis for unlisted equity funds with fair value measurement categorised within Level 3 were disclosed in note 39(c). For sensitivity analysis of equity securities with fair value measurement categorised within Level 1 and Level 2, the sensitivity rate is increased to 10% in current year as a result of the volatile financial market.

If the prices of the respective unlisted hybrid fund had been 10% (2021: 10%) higher/lower, the post-tax profit for the year ended 31 December 2022 would increase/decrease by RMB880,000 (2021: RMB846,000) as a result of the changes in fair value of investment in financial assets at FVTPL.

If the prices of the respective equity instruments had been 10% (2021: nil) higher/lower, the other comprehensive income would increase/decrease by RMB33,539,000 (2021: nil) as a result of the changes in fair value of investment in equity securities at FVTOCI.

39. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, fixed bank deposits, bank balances and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial instruments.

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances collectively using collective assessment with internal credit rating. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 66% (2021: 60%) of the total trade receivables was due from the Group's five largest customers. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 74% (2021: 70%) of the total debtors as at 31 December 2022.

Other receivables/bank balances/bank deposits

Although the bank balances and bank deposits are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are either state-owned banks in the PRC or banks with high credit ratings and quality.

The Group performs impairment assessment under ECL model for other receivables collectively using collective assessment with internal credit rating.

Other than the concentration of the credit risk on trade receivables, the Group do not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL -not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2022		2021	
					Gross carrying amount RMB'000	RMB'000	Gross carrying amount RMB'000	RMB'000
Financial assets at amortised cost								
Bank balances	26	AA+	N/A	12m ECL	833,792		1,119,264	
Fixed bank deposits	26	AA+	N/A	12m ECL	220,000		158,112	
Other receivables*	25	N/A	Low risk	12m ECL	30,799		12,310	
			Watch List	12m ECL	8,227		51,524	
			Loss	Credit-impaired	2,196	41,222		—
Trade receivables	24	N/A	(Note)	Lifetime ECL	139,330		111,723	
			Loss	Credit-impaired	1,516	140,846	2,156	113,879

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

Note:

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items on a collective basis, grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its sales operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on collective assessment within lifetime ECL (not credit-impaired). As at 31 December 2022, debtors with credit-impaired with gross carrying amounts of RMB1,516,000 (31 December 2021: RMB2,156,000) were assessed individually.

Internal credit rating	Average loss rate	2022 Trade receivables RMB'000
Low risk	0.55%	115,698
Watch list	2.14%	18,917
Doubtful	25.38%	4,715
		<u>139,330</u>

Internal credit rating	Average loss rate	2021 Trade receivables RMB'000
Low risk	0.10%	88,163
Watch list	4.46%	15,204
Doubtful	63.51%	8,356
		<u>111,723</u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Credit risk and impairment assessment - continued

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	10,329	1,781	12,110
Changes due to financial instruments recognised as at 1 January 2021			
– Impairment losses reversed	(10,119)	(256)	(10,375)
New financial assets originated	1,477	631	2,108
As at 31 December 2021	1,687	2,156	3,843
Changes due to financial instruments recognised as at 1 January 2022			
– Impairment losses reversed	(1,280)	(692)	(1,972)
New financial assets originated	1,833	52	1,885
As at 31 December 2022	2,240	1,516	3,756

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The following table shows the movement in lifetime and 12m ECL that has been recognised for other receivables.

	12m ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	2,503	—	2,503
Changes due to financial instruments recognised as at 1 January 2021			
– Impairment losses reversed	(1,192)	—	(1,192)
New financial assets originated	949	—	949
As at 31 December 2021	2,260	—	2,260
Changes due to financial instruments recognised as at 1 January 2022			
– Impairment losses reversed	(1,244)	—	(1,244)
– Transfer to lifetime ECL	(849)	849	—
New financial assets originated	1,891	1,347	3,238
As at 31 December 2022	2,058	2,196	4,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. FINANCIAL INSTRUMENTS - continued

(b) Financial risk management objectives and policies - continued

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is driven from interest rate at the end of reporting period.

Liquidity and interest risk tables

	Interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2022							
Non-derivative financial liabilities							
Trade and other payables	—	119,488	71	431	—	119,990	119,990
Financial liability at FVTPL	10	—	—	—	228,000	228,000	142,500
Lease liabilities	5.82	—	2,808	2,626	4,885	10,319	9,674
Total		119,488	2,879	3,057	232,885	358,309	272,164
At 31 December 2021							
Non-derivative financial liabilities							
Trade and other payables	—	76,189	1,865	996	—	79,050	79,050
Financial liability at FVTPL	10	—	—	—	216,000	216,000	135,000
Lease liabilities	5.82	—	2,813	8,829	4,826	16,468	15,671
Total		76,189	4,678	9,825	220,826	311,518	229,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. FINANCIAL INSTRUMENTS - continued

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial assets are measured at fair value for financial reporting purposes. For instruments with significant unobservable inputs under Level 3, the management of the Company engaged an independent qualified professional valuer to determine the appropriate valuation techniques and inputs for fair value measurements.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy

	2022 RMB'000	2021 RMB'000
Financial assets at FVTPL		
Short-term bank structured deposits	—	199,000
Unlisted funds		
– Equity funds	117,060	17,157
– Hybrid fund	10,357	9,953
Equity instruments at FVTOCI		
Equity securities listed in Hong Kong	335,387	—
Financial liability at FVTPL		
Capital injection from other investors	142,500	135,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. FINANCIAL INSTRUMENTS - continued

(c) Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

Financial assets/liability	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2022	31 December 2021			
Listed equity securities	Equity securities Listed in Hong Kong - RMB335,387,000	—	Level 1	Quoted bid prices of the same listed entity in an active market	N/A
Unlisted equity funds	Interests in limited partnerships engaged in fund investment - RMB105,890,000	—	Level 3 (note)	Adjusted net asset approach - in this approach, the net assets value of the investee is adjusted by using premium over net assets value of listed entities in similar industries	Premium of -5.9% (2021:nil) over net assets value of listed entities in similar industries
Unlisted equity funds	Interests in limited partnerships engaged in fund investment - RMB11,170,000	Interests in a limited partnership engaged in fund investment - RMB17,157,000	Level 3 (note)	Adjusted net asset approach - in this approach, the net assets value of the investee is adjusted by using premium over net assets value of listed entities in similar industries	Premium of -3% (2021: Premium of -2.23%) over net assets value of listed entities in similar industries
Unlisted hybrid fund	Interests in a limited partnership engaged in fund investment - RMB10,357,000	Interests in a limited partnership engaged in fund investment - RMB9,953,000	Level 2	Redemption value quoted by the relevant investment fund with reference to the underlying assets (mainly listed securities and government bonds) of the fund	N/A
Short-term bank structured deposits with variable interest rate	—	RMB199,000,000	Level 2	Income approach - The discounted cash flow method was used to estimate the interest from the underlying bank deposits	N/A
Capital injection from other investors	RMB142,500,000	RMB135,000,000	Level 2	Recent transaction approach	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. FINANCIAL INSTRUMENTS - continued

(c) Fair value measurements of financial instruments - continued

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

Note: A decrease in the premium over net assets value used in isolation would result in a decrease in the fair value measurement of unlisted equity funds and vice versa. The directors of the Company believe that reasonable possible increase/decrease in the premium over net assets value rate was not significant to the consolidated financial statements. There is no transfer between different levels of the fair value hierarchy during the years ended 31 December 2022 and 2021.

(ii) Reconciliation of Level 3 fair value measurements

	Unlisted participating shares RMB'000	Unlisted equity fund RMB'000	Total RMB'000
At 1 January 2021	265,794	92,504	358,298
Gain (loss) from fair value changes	17,081	(74,055)	(56,974)
Realised foreign exchange loss	(5,610)	—	(5,610)
Unrealised foreign exchange loss	—	(1,292)	(1,292)
Disposal	(277,265)	—	(277,265)
At 31 December 2021	—	17,157	17,157
Addition	—	144,378	144,378
Loss from fair value changes	—	(40,974)	(40,974)
Unrealised foreign exchange loss	—	(3,501)	(3,501)
At 31 December 2022	—	117,060	117,060

Of the total losses for the period included in the profit or loss, RMB40,974,000 (2021: RMB74,055,000) relates to financial assets designated as at FVTPL held at the end of the current reporting period. Fair value gains or losses on financial assets designated at FVTPL are included in "other income, expenses, gains and losses".

(iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in consolidated financial statements, approximate their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000	Bank borrowings RMB'000	Financial liabilities at FVTPL RMB'000
At 1 January 2021	11,519	174,462	67,500
Recognition of lease liabilities	19,889	—	—
Financing cash flows	(12,088)	(176,416)	67,500
Interest expenses	655	1,954	—
Early termination of leases	(4,304)	—	—
At 31 December 2021	15,671	—	135,000
Recognition of lease liabilities	6,468	—	—
Financing cash flows	(13,097)	—	—
Fair value adjustments	—	—	7,500
Interest expenses	632	—	—
At 31 December 2022	9,674	—	142,500

41. RELATED PARTY DISCLOSURES

(a) Significant related party transaction

Same as disclosed in notes 25 and 27, the Group entered into the following transactions with the related party during the year.

Relationship	Nature of transactions	2022 RMB'000	2021 RMB'000
Associate	Consulting services	5,695	1,101
	Equipment leasing	1,580	878
		7,275	1,979

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

41. RELATED PARTY DISCLOSURES - continued

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	11,281	17,093
Post-employment benefits	152	126
	11,433	17,219

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

42. PARTICULARS OF INTERESTS IN SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company		Principal activities
			2022	2021	
Lifetech Scientific India Private Ltd.	India	INR6,573,680	100%*	100%*	Trading of medical devices
^{A#} Lifetech Shenzhen	The PRC	RMB100,000,000	100%	100%	Developing, manufacturing and trading of medical devices
LifeTech Scientific (Europe) Coöperatief U. A.	Netherlands	EUR2,000	100%*	100%*	Investment holding
LifeTech Scientific (Netherlands) B.V.	Netherlands	EUR18,000	100%*	100%*	Trading of medical devices
LifeTech Scientific Holdings Limited	British Virgin Islands	USD50,000	100%	100%	Investment holding
LifeTech Scientific International Investment Limited	British Virgin Islands	USD50,000	100%	100%	Investment holding
Lifetech Scientific America Corporation	USA	USD50,000	100%*	100%*	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

42. PARTICULARS OF INTERESTS IN SUBSIDIARIES OF THE COMPANY - *continued*

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company		Principal activities
			2022	2021	
LifeTech Scientific International Holding Limited	Hong Kong	HKD1	100%	100%	Trading of medical devices
LifeTech Hellas Import and Trade of Medical Devices Single Member Limited Liability Company	Greece	EUR30,000	100%*	100%*	Trading of medical devices
^Δ 深圳市先健呼吸科技有限公司	The PRC	RMB1,000,000	70%* (note iii)	60%*	Biomedical research and development, consulting services
^Δ 東莞先健新材料科技有限公司	The PRC	RMB1,000,000	100%*	100%*	Developing, manufacturing and trading of new material
^Δ Dongguan LifeTech	The PRC	RMB50,000,000	100%*	100%*	Developing, manufacturing and trading of medical devices, properties leasing
^Δ 深圳市先健暢通醫療有限公司	The PRC	RMB10,000,000	100%*	100%*	Developing, manufacturing and trading of medical devices
^Δ Biotyx Medical	The PRC	RMB132,192,000	54.3%*	54.3%*	Developing, manufacturing and trading of medical devices, consulting and technical services
^Δ 東莞先健量子醫療科技有限公司	The PRC	RMB10,000,000	50.1%*	50.1%*	Developing, manufacturing and trading of medical devices, technical services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

42. PARTICULARS OF INTERESTS IN SUBSIDIARIES OF THE COMPANY - continued

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company		Principal activities
			2022	2021	
[△] 深圳市雲麻生物科技有限公司	The PRC	RMB20,000,000	60%*	60%*	The R&D, manufacturing and trading of materials for hemp, the R&D of biotechnology
[△] 雲南麻省健康科學有限公司	The PRC	RMB20,000,000	55.2%*	55.2%*	The R&D, manufacturing and trading of materials for hemp, the R&D of biotechnology
LifeTech Scientific Deutschland GmbH	Germany	EUR300,000	100%*	100%*	Trading of medical devices
[△] 深圳市健心醫療科技有限公司	The PRC	RMB1,000,000	100%*	100%*	Developing, manufacturing and trading of medical devices, consulting and technical services
[△] 深圳市先健創新醫療投資有限公司	The PRC	RMB50,000,000	100%*	100%*	Investment holding, developing of medical products, consulting services
[△] 深圳市先健外科瓣技術有限公司	The PRC	RMB1,000,000	55%*	55%*	Developing, manufacturing and trading of medical devices
[△] 深圳市先健神康醫療有限公司	The PRC	RMB10,000,000	100%*	100%*	Developing, manufacturing and trading of medical devices, technical services
[△] 深圳市先健緯康科技有限公司	The PRC	RMB2,000,000	80%*	N/A	Developing, manufacturing and trading of medical devices
[△] 深圳市心暢醫療科技有限公司	The PRC	RMB1,000,000	70%*	N/A	Developing, manufacturing and trading of medical devices
元心醫療(香港)有限公司	Hong Kong	HKD500,000	54.3%*	N/A	Trading of medical devices

* Indirectly held through subsidiaries.

A wholly foreign owned enterprise.

△ Limited liability company established in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

42. PARTICULARS OF INTERESTS IN SUBSIDIARIES OF THE COMPANY - *continued*

Notes:

- (i) None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.
- (ii) The directors consider none of the non-wholly owned subsidiaries of the Group has a material non-controlling interest, and accordingly, no summarised financial information in respect of any of these subsidiaries has been presented.
- (iii) During the year ended 31 December 2022, the Group acquired additional 10% equity interest of 深圳市先健呼吸科技有限公司 at cash consideration of RMB100,000.

43. COMPARATIVE FINANCIAL INFORMATION

Certain comparative financial information set out in the consolidated statement of cash flows have been reclassified to conform with current year's presentation.

PROPERTIES HELD FOR INVESTMENT

INVESTMENT PROPERTIES

Location	Type of properties	Lease term
A building of Songshan Lake LifeTech Medical Device Production and Research Project, No.4, Zhanghua Road, Songshan Lake High-tech Industrial Development Zone, Dongguan, the PRC	Factory	Medium-term lease
Certain floors of LifeTech Scientific Building No.22, Keji 12th Road South, High-tech Industrial Park, Nanshan District,Shenzhen, the PRC	Office premises/Store	Medium-term lease
Certain parking spaces on G/F LifeTech Scientific Building No.22, Keji 12th Road South, High-tech Industrial Park, Nanshan District,Shenzhen, the PRC	Carpark	Medium-term lease
Partial area of Tianfa Building Tianan Chegongmiao Industrial Zone, Futian District,Shenzhen, the PRC	Factory	Medium-term lease
Certain rooms of Jiutai Apartment Tianan Chegongmiao Industrial Zone, Futian District,Shenzhen, the PRC	Residential premises	Medium-term lease