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LifeTech Scientific Corporation
先健科技公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1302)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- The revenue of the Group was approximately RMB925.3 million for the year ended 31 December 2021 as compared to approximately RMB642.3 million for the corresponding period of 2020, representing an increase of approximately 44.1%. This increase was mainly due to the increase in revenue from the sales of stent grafts, Cera occluders and LAmbré™ LAA occluders.
- Gross profit was approximately RMB747.5 million for the year ended 31 December 2021 as compared to approximately RMB513.1 million for the corresponding period of 2020, representing an increase of approximately 45.7%.
- Net profit attributable to owners of the Company for the year ended 31 December 2021, excluding certain non-recurring items, was approximately RMB324.0 million as compared to the net profit amounting to approximately RMB183.3 million in 2020, representing an increase of approximately 76.8%. Such non-recurring items include (i) the other gains and losses resulting from financial assets at fair value through profit and loss, which was a loss of approximately RMB11.8 million for 2021 in comparison with a gain of approximately RMB186.8 million in 2020, decreased by approximately RMB198.6 million; and (ii) the share-based payment expenses which were approximately RMB19.7 million for 2021 in comparison with approximately RMB154.0 million in 2020, decreased by approximately RMB134.3 million. Considering the influence arose therefrom, the Company recorded a net profit attributable to owners of the Company for the year ended 31 December 2021 of approximately RMB292.5 million, as compared to the net profit attributable to owners of the Company of approximately RMB216.1 million in 2020, representing an increase of approximately 35.4%.
- The Board does not recommend payment of any final dividend for the year ended 31 December 2021 (2020: nil).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of LifeTech Scientific Corporation (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021, together with the comparative figures for the corresponding period of 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	3	925,334	642,299
Cost of sales		<u>(177,800)</u>	<u>(129,154)</u>
Gross profit		747,534	513,145
Other income, expenses, gains and losses	4	9,756	246,906
Impairment losses under expected credit loss model, net of reversal		8,510	(7,808)
Selling and distribution expenses		(194,153)	(216,373)
Administration expenses		(97,022)	(104,107)
Research and development expenses		<u>(145,886)</u>	<u>(167,274)</u>
Operating profit		328,739	264,489
Finance income (cost), net	5	5,059	(19,043)
Share of results of associates		<u>(870)</u>	<u>(2,822)</u>
Profit before tax	6	332,928	242,624
Income tax expense	7	<u>(49,571)</u>	<u>(35,581)</u>
Profit for the year		<u>283,357</u>	<u>207,043</u>
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>2,066</u>	<u>1,037</u>
Total comprehensive income for the year		<u>285,423</u>	<u>208,080</u>
Profit (loss) for the year attributable to:			
Owners of the Company		292,472	216,085
Non-controlling interests		<u>(9,115)</u>	<u>(9,042)</u>
		<u>283,357</u>	<u>207,043</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		294,538	217,122
Non-controlling interests		<u>(9,115)</u>	<u>(9,042)</u>
		<u>285,423</u>	<u>208,080</u>
Earnings per share	9		
– Basic		RMB6.8 cents	RMB5.0 cents
– Diluted		<u>RMB6.4 cents</u>	<u>RMB4.9 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		651,962	414,262
Right-of-use assets		72,103	69,259
Investment properties		142,481	148,197
Intangible assets	10	364,829	304,903
Interests in associates		21,520	12,729
Financial assets at fair value through profit and loss ("FVTPL")	11	27,110	358,298
Deposits for acquisition of property, plant and equipment/right-of-use assets		19,640	16,159
Deferred tax assets		46,998	35,896
Fixed bank deposit		—	50,000
		1,346,643	1,409,703
Current assets			
Inventories		129,286	99,623
Trade receivables	12	110,036	107,135
Other receivables and prepayments	13	121,374	87,413
Financial assets at FVTPL	11	199,000	—
Fixed bank deposits		158,112	170,992
Pledged bank deposits		—	108,000
Bank balances and cash		1,119,264	971,683
		1,837,072	1,544,846
Current liabilities			
Trade and other payables	14	429,610	265,046
Contract liabilities		7,223	14,216
Tax payables		34,029	33,031
Lease liabilities		11,045	6,846
Bank borrowings		—	174,462
		481,907	493,601
Net current assets		1,355,165	1,051,245
Total assets less current liabilities		2,701,808	2,460,948

	NOTES	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Government grants		32,080	30,285
Lease liabilities		4,626	4,673
Financial liabilities at FVTPL	15	135,000	67,500
		<u>171,706</u>	<u>102,458</u>
Net assets		<u>2,530,102</u>	<u>2,358,490</u>
Capital and reserves			
Share capital	16	37	37
Reserves		2,503,545	2,340,108
		<u>2,503,582</u>	<u>2,340,145</u>
Equity attributable to owners of the Company		2,503,582	2,340,145
Non-controlling interests		26,520	18,345
		<u>2,530,102</u>	<u>2,358,490</u>
Total equity		<u>2,530,102</u>	<u>2,358,490</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

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

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

New and amendments to IFRSs in issue but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

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

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

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

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

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

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

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

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

Amendments to IAS 8 Definition of Accounting Estimates

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* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

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

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

3. REVENUE AND SEGMENT INFORMATION

A. For the year ended 31 December 2021

Disaggregation of revenue from contracts with customers

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

3. REVENUE AND SEGMENT INFORMATION - continued

A. For the year ended 31 December 2021 - continued

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

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

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

B. For the year ended 31 December 2020

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

3. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information

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

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

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

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

Information regarding the above segments is reported below.

3. REVENUE AND SEGMENT INFORMATION - continued

Segment Information - continued

(a) Segment revenue and results

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

For the year ended 31 December 2021

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

3. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(a) *Segment revenue and results - continued*

For the year ended 31 December 2020

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

3. REVENUE AND SEGMENT INFORMATION - continued

Segment Information - continued

(a) Segment revenue and results - continued

Segment profit (loss) represents the gross profit (loss) earned by each segment without allocation of all other items of income and expenses, as set out above. This is the measure reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resources allocation and assessment of segment performance.

(b) Segment assets and liabilities

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

Segment assets

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

3. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(b) *Segment assets and liabilities - continued*

Segment liabilities

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

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

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

3. REVENUE AND SEGMENT INFORMATION - continued

Segment Information - continued

(c) Other segment information

For the year ended 31 December 2021

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

For the year ended 31 December 2020

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

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

3. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(d) *Geographical information*

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

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

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

(e) *Information about major customers*

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

4. OTHER INCOME, EXPENSES, GAINS AND LOSSES

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

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

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

5. FINANCE INCOME (COST), NET

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

6. PROFIT BEFORE TAX

	2021 RMB'000	2020 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Directors' fees	480	432
Salaries, wages and other benefits	167,068	126,330
Performance related bonus	56,241	45,249
Share-based payment expenses	21,560	154,533
Retirement benefits scheme contributions	18,275	4,673
Less: capitalised in development costs, construction in progress and inventories	<u>(37,860)</u>	<u>(16,635)</u>
	<u>225,764</u>	<u>314,582</u>
Auditor's remuneration (including audit and non-audit services)	2,157	1,800
Cost of inventories recognised as expenses (Note i)	<u><u>177,800</u></u>	<u><u>129,154</u></u>

6. PROFIT BEFORE TAX - continued

	2021	2020
	RMB'000	RMB'000
Depreciation of property, plant and equipment	34,106	33,955
Depreciation of investment properties	5,716	5,655
Depreciation of right-of-use assets	12,866	16,014
Amortisation of intangible assets (Note ii)	9,363	7,004
Less: capitalised in inventories	(13,198)	(13,380)
	<hr/>	<hr/>
Total depreciation and amortisation	48,853	49,248
	<hr/> <hr/>	<hr/> <hr/>
Gross rental income from investment properties	(37,110)	(37,918)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	5,716	5,655
	<hr/>	<hr/>
	(31,394)	(32,263)
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) For the year end 31 December 2021, cost of inventories recognised as expenses included write-down on inventories of RMB1,696,000 (2020: RMB4,237,000).
- (ii) Amortisation of intangible assets is included in cost of sales, selling and distribution expenses, administration expenses and research and development expenses amounting to approximately RMB878,000 (2020:RMB776,000), RMB181,000 (2020:RMB181,000), RMB477,000 (2020:RMB287,000) and RMB7,827,000 (2020:RMB5,760,000) respectively for the year.

7. INCOME TAX EXPENSE

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

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

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

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

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

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

8. DIVIDENDS

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

9. EARNINGS PER SHARE

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

	2021 RMB'000	2020 RMB'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share from continuing operations	<u>292,472</u>	<u>216,085</u>
	2021 '000	2020 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	4,309,271	4,337,755
Effect of dilutive potential ordinary shares:		
Share Options	48,031	51,588
Awarded Shares	<u>205,590</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,562,892</u>	<u>4,389,343</u>

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

10. INTANGIBLE ASSETS

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

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

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

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

10. INTANGIBLE ASSETS - continued

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.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Notes:

- i. On 10 May 2018, the Group entered into a subscription agreement with an independent third party pursuant to which the Group agreed to subscribe for participating shares of ABG-Grail Limited ("ABG-Grail"), a limited company established in the British Virgin Islands, as a participating shareholder, for an aggregate consideration of USD20,000,000 (equivalent to approximately RMB127,340,000) in cash. ABG-Grail principally invests in unlisted shares of a company established in the United States which engages in cancer research and early cancer detection.
- ii. On 25 May 2018, the Group entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for interest of a private equity fund established in Cayman Islands (the "Equity Fund"), as a limited partner, for an aggregate consideration of USD6,000,000 (equivalent to approximately RMB38,202,000) in cash. The Equity Fund principally invests in securities or assets of companies that are involved in the healthcare industry, with a particular focus on cross-border innovative late-stage venture opportunities and cross-over investments.
- iii. On 8 January 2021, the Group entered into a contract to purchase a hybrid fund unit ("Hybrid Fund") with a financial institution, which was accounted for as financial assets at FVTPL on initial recognition, for a consideration of RMB10,000,000 in cash. As at 31 December 2021, the fair value of the Hybrid Fund is RMB9,953,000 per the investment statement of the financial institution. The fair value loss in the amount of RMB47,000 was recognised in profit or loss in the current year.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - continued

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

The Equity Fund and ABG-Grail are accounted for as financial assets at FVTPL in accordance with IFRS 9. In the opinion of the directors of the Company, the Equity Fund and ABG-Grail are held for long-term strategic investment purposes and as such, the investments are classified as non-current.

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

During the year ended 31 December 2021, the Equity Fund distributed dividend income of approximately RMB47.8 million (2020: approximately RMB10.0 million) to the Group.

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

The fair values of the Equity Fund are determined by an independent professional valuer, GW Financial Advisory Services Limited.

12. TRADE RECEIVABLES

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

Trade receivables mainly arose from sales of medical devices.

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

12. TRADE RECEIVABLES - *continued*

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

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

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

13. OTHER RECEIVABLES AND PREPAYMENTS

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

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

Included in the amount as at 31 December 2021 was the balance to an associate amounting to RMB3,413,000.

14. TRADE AND OTHER PAYABLES

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

Notes:

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

(ii) Included in the amount as at 31 December 2021 was the balance to an associate amounting to RMB4,581,000.

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

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

15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

The Group expects that it will be able to satisfy its redemption obligations in the case that the above specific conditions happen.

16. SHARE CAPITAL

	Number of shares	Amount USD	
Ordinary shares			
Authorised:			
At 1 January 2020, 31 December 2020 and 2021 at USD0.00000125 each	40,000,000,000	50,000	
			Shown in the consolidated statement of financial position as RMB'000
	Number of shares	Amount USD	RMB'000
Issued and fully paid:			
At 1 January 2020	4,320,033,200	5,401	35
Exercise of share options	19,645,200	25	—
Issue of new share (Note)	287,320,000	359	2
	<u>4,626,998,400</u>	<u>5,785</u>	<u>37</u>
At 31 December 2020	4,626,998,400	5,785	37
Exercise of share options	3,032,000	4	— *
	<u>4,630,030,400</u>	<u>5,789</u>	<u>37</u>

* Less than RMB1,000

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

17. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option scheme

The 2011 Share Option Scheme

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

Subject to the fulfilment of the conditions of the 2011 Share Option Scheme and the earlier termination by shareholders' resolution in general meeting or the board, the 2011 Share Option Scheme shall be valid and effective for a period of ten years commencing from 22 October 2011, after which period no further options will be offered or granted but the provisions of the 2011 Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the 2011 Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the 2011 Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at the listing date on 10 November 2011 (the "2011 Scheme Mandate Limit") (such 10% being equivalent to 400,000,000 shares based on 4,000,000,000 subdivided shares in issue) unless shareholders' approval has been obtained. Any options lapsed in accordance with the terms of the 2011 Share Option Scheme or any other share option scheme of the Group shall not be counted for the purpose of calculating the 2011 Scheme Mandate Limit.

Unless approved by the shareholders in the manner set out in the 2011 Share Option Scheme, the total number of shares issued and to be issued upon exercise of the options granted to each Share Option Scheme Eligible Participant (including both exercised and outstanding options under the Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company.

An offer of grant of an option shall remain open for acceptance by the Share Option Scheme Eligible Participants concerned for such period as determined by the board, which period shall not be more than fourteen days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the 22 October 2011 or after the 2011 Share Option Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HKD1 to the Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price.

17. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2011 Share Option Scheme - continued

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the 2011 Share Option Scheme. However, the board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such options can be exercised as the board may determine in its absolute discretion.

The subscription price for shares in respect of any particular option granted under the 2011 Share Option Scheme shall be such price as the board shall determine, provided that such price shall be at least the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the option; and (iii) the nominal value of a share.

The following table discloses movements of the 2011 Share Option Scheme held by directors and employees during the year ended 31 December 2021:

Types	Outstanding	Granted	Exercised	Lapsed	Outstanding
	at 1 January 2021				during the year
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	<u>73,221,600</u>	<u>33,320,000</u>	<u>(3,032,000)</u>	<u>(2,400,000)</u>	<u>101,109,600</u>
Exercisable at the end of the year					<u>70,189,600</u>
Weighted average exercise price	<u>HKD1.464</u>	<u>HKD3.570</u>	<u>HKD1.464</u>	<u>HKD3.570</u>	<u>HKD2.108</u>

17. SHARE-BASED PAYMENT TRANSACTIONS - continued

(a) Share option scheme - continued

The 2011 Share Option Scheme - continued

The following table discloses movements of the 2011 Share Option Scheme held by directors and employees during the year ended 31 December 2020:

Types	Outstanding	Granted	Exercised	Lapsed	Outstanding
	at 1 January 2020				during the year
Share options granted on 5 May 2015:					
Batch I	17,071,200	—	(4,974,800)	—	12,096,400
Batch II	18,012,800	—	(4,379,200)	—	13,633,600
Batch III	19,094,400	—	(3,987,200)	(54,800)	15,052,400
Batch IV	20,074,400	—	(3,828,800)	(54,800)	16,190,800
Batch V	18,962,400	—	(2,475,200)	(238,800)	16,248,400
Total	<u>93,215,200</u>	<u>—</u>	<u>(19,645,200)</u>	<u>(348,400)</u>	<u>73,221,600</u>
Exercisable at the end of the year					<u>73,221,600</u>
Weighted average exercise price	<u>HKD1.464</u>	<u>—</u>	<u>HKD1.464</u>	<u>HKD1.464</u>	<u>HKD1.464</u>

In respect of the share options exercised during the year, the closing market price (weighted average) immediately before the dates on which the share options exercised was HKD4.810 (2020: HKD2.462).

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

17. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2011 Share Option Scheme - continued

Details of specific categories of share options are as follows:

Granted on 5 May 2015

Types	Vesting period	Exercisable period	Grant date fair value per option HKD
Batch I	12 months	5 May 2016 - 4 May 2025	0.8124
Batch II	24 months	5 May 2017 - 4 May 2025	0.8213
Batch III	36 months	5 May 2018 - 4 May 2025	0.8267
Batch IV	48 months	5 May 2019 - 4 May 2025	0.8323
Batch V	60 months	5 May 2020 - 4 May 2025	0.8428
Fair value of share options granted			<u>HKD132,338,000</u>

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			<u>HKD53,044,000</u>

17. SHARE-BASED PAYMENT TRANSACTIONS - continued

(a) Share option scheme - continued

The 2011 Share Option Scheme - continued

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

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

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

For the year ended 31 December 2021, the Group recognised approximately RMB13,382,000 (2020: approximately RMB2,739,000) share-based payment expenses in profit or loss in relation to the 2011 Share Option Scheme, of which, approximately RMB792,000 (2020: approximately RMB67,000) was included in cost of sales, approximately RMB3,694,000 (2020: approximately RMB975,000) was included in research and development expenses, approximately RMB3,220,000 (2020: approximately RMB1,491,000) was included in administrative expenses and approximately RMB5,676,000 (2020: approximately RMB206,000) was included in selling and distribution expenses. In addition, approximately RMB1,277,000 (2020: approximately RMB555,000) was capitalised in development costs.

17. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2021 Share Option Scheme

The Company terminated the 2011 Share Option Scheme and adopted a new share option scheme ("2021 Share Option Scheme") at the extraordinary general meeting held on 17 September 2021.

On 12 November 2021, the Company granted 101,800,000 share options to eligible employees under the 2021 Share Option Scheme.

On 10 December 2021, the Company granted 35,000,000 share options to eligible employees and consultants under the 2021 Share Option Scheme. The fair value of the options granted to employees at the date of grant was HKD21,350,000 (equivalent to RMB17,455,000). The Group measures the fair value of share options granted to the consultants will measure by reference to the fair values of services rendered. As at year ended 31 December 2021, there is no services rendered to the Group.

17. SHARE-BASED PAYMENT TRANSACTIONS - continued

(a) Share option scheme - continued

The 2021 Share Option Scheme - continued

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

Types	Outstanding	Granted	Exercised	Lapsed	Outstanding
	at				at
	1 January	during	during	during	31 December
	2021	the year	the year	the year	2021
Share options granted on 12 November 2021:					
Batch I	—	10,180,000	—	—	10,180,000
Batch II	—	15,270,000	—	—	15,270,000
Batch III	—	20,360,000	—	—	20,360,000
Batch IV	—	25,450,000	—	—	25,450,000
Batch V	—	30,540,000	—	—	30,540,000
Share options granted on 10 December 2021:					
Employees					
Batch I	—	1,100,000	—	—	1,100,000
Batch II	—	1,650,000	—	—	1,650,000
Batch III	—	2,200,000	—	—	2,200,000
Batch IV	—	2,750,000	—	—	2,750,000
Batch V	—	3,300,000	—	—	3,300,000
Consultants					
Batch I	—	2,400,000	—	—	2,400,000
Batch II	—	3,600,000	—	—	3,600,000
Batch III	—	4,800,000	—	—	4,800,000
Batch IV	—	6,000,000	—	—	6,000,000
Batch V	—	7,200,000	—	—	7,200,000
Total	—	136,800,000	—	—	136,800,000
Exercisable at the end of the year					—
Weighted average exercise price	—	HKD3.654	—	—	HKD3.654

17. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2021 Share Option Scheme - continued

Details of specific categories of share options are as follows:

Granted on 12 November 2021

Types	Vesting period	Exercisable period	Grant date fair value per option HKD
Batch I	18 months	30 April 2023 - 11 November 2031	1.5815
Batch II	30 months	30 April 2024 - 11 November 2031	1.7065
Batch III	42 months	30 April 2025 - 11 November 2031	1.8149
Batch IV	54 months	30 April 2026 - 11 November 2031	1.9084
Batch V	66 months	30 April 2027 - 11 November 2031	1.9890
Fair value of share options granted			<u>HKD188,423,000</u>

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			<u>HKD21,350,000</u>

17. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

The 2021 Share Option Scheme - continued

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

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

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

For the year ended 31 December 2021, the Group recognised approximately RMB6,352,000 (2020: nil) share-based payment expenses in profit or loss in relation to the 2021 Share Option Scheme, of which, approximately RMB470,000 (2020: nil) was included in cost of sales, approximately RMB1,656,000 (2020: nil) was included in research and development expenses, approximately RMB890,000 (2020: nil) was included in administrative expenses and approximately RMB3,336,000 (2020: nil) was included in selling and distribution expenses. In addition, approximately RMB549,000 (2020: nil) was capitalised in development costs.

17. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(b) Share Award Scheme

On 28 December 2018, the Company adopted the Share Award Scheme. The purpose of the Share Award Scheme is to (i) recognise and motivate the contributions by certain Eligible participants (the "2019 SAS Eligible Participants") and to incentivise them and retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain 2019 SAS Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and certain 2019 SAS Eligible Participants.

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

Based on an unanimous written resolutions of the board of directors of the Company dated 29 September 2020, pursuant to the grant notices and vesting notices to 2019 SAS Eligible Participants dated the same date, a total of 312,620,000 shares of the Company have been granted by the Company to certain senior management/employees at a price of HKD1.35 per share and fully vested at the same date under Share Award Scheme. There were no vesting conditions attached to such Awarded Shares.

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

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

	Outstanding				Outstanding
	at	Granted	Exercised	Lapsed	at
	1 January	during	during	during	31 December
	2021	the year	the year	the year	2021
Granted on 29 September 2020:	<u>312,620,000</u>	—	(12,645,000)	—	<u>299,975,000</u>
Total	<u>312,620,000</u>	—	(12,645,000)	—	<u>299,975,000</u>
Exercisable at the end of the year					<u>299,975,000</u>
Exercise price					<u>HKD1.35</u>

17. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(b) Share Award Scheme - *continued*

The following table discloses movements of Share Award Scheme during the year ended 31 December 2020:

	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2020
Granted on 29 September 2020:	—	312,620,000	—	—	312,620,000
Total	<u>—</u>	<u>312,620,000</u>	<u>—</u>	<u>—</u>	<u>312,620,000</u>
Exercisable at the end of the year					<u>312,620,000</u>
Exercise price					<u>HKD1.35</u>

For the year ended 31 December 2020, the Group recognised approximately RMB151,239,000 share-based payment expenses in the profit or loss, including approximately RMB49,984,000 in research and development expenses, approximately RMB19,022,000 in administration expenses and approximately RMB82,233,000 in selling and distribution expenses to the consolidated statement of profit or loss.

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 LAA occluders. The peripheral vascular diseases business mainly includes vena cava filters and stent grafts. The product line for the cardiac pacing and electrophysiology business is mainly related to pacemakers. These product lines provide clinically effective and commercially attractive product offerings.

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

Annual performances

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

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

Sales and marketing

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

Research and development ("R&D")

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

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

- G-iliac™ Iliac Artery Bifurcation Stent Graft System, LAxible™ Left Atrial Appendage Occluder, Yuranos™ Abdominal Aortic Stent Graft System, LANavi™ Jointed Steerable Introducer, OKcurve™ Steerable Delivery System, Freepath™ Guidance System and iCable™ Delivery Cable obtained official registration approval from the NMPA;
- Xuper™ Open Surgery Stent Graft System obtained the CE certification in European Union;
- IBS Angel™ Iron Bioresorbable Scaffold System ("IBS Angel™") obtained registration approval from Medical Device Authority in Malaysia, being the only absorbable stent product suitable for children in the world. Meanwhile, IBS Angel™ has started clinical enrollment in China and successfully implanted in more than 10 cases;
- G-Branch™ Thoracoabdominal Artery Stent Graft System and Artery Stent Graft System (chimney graft, consists of the Ankura™ Pro Artery Stent Graft System and Longuette™ Aortic Branch Stent Graft System), were approved as innovative medical devices in China. At present, 14 products of the Company have been approved as innovative medical devices by the NMPA;
- Cinenses™ Lung Volume Reduction Reverser System has completed the enrollment of clinical trials in Europe and entered into a one-year follow-up stage with safe and effective preliminary clinical results. Meanwhile, clinical trials for this product in China are in preparation;
- G-Branch™ Thoraco-Abdominal Aortic Stent Graft System has completed the enrollment of the first in man clinical trial and the mid-term follow-up results are positive, which is currently at the stage of the pre-marketing clinical enrollment;

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

PATENTS AND BRANDING

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

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

FINANCIAL REVIEW

Overview

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

Revenue

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

Revenue from structural heart diseases business

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

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

Revenue from peripheral vascular diseases business

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

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

Revenue from cardiac pacing and electrophysiology business

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

Gross profit and gross profit margin

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

Other income, expenses, gains and losses

Other income, expenses, gains and losses decreased from approximately RMB246.9 million for the year ended 31 December 2020 to approximately RMB9.8 million for the year ended 31 December 2021, such change was mainly due to (i) an increase in loss from changes in fair value of financial assets at FVTPL, which was in relation to the investment in Ally Bridge Group Innovation Capital Partners III, L.P.. Please refer to the section headed "Financial assets at FVTPL" below and note 4 and note 11 to the consolidated financial statements in this annual results announcement for further information; and (ii) an increase in net foreign exchange losses.

Selling and distribution expenses

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

Administration expenses

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

Research and development expenses

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

Operating profit

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

Share of results of associates

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

Financial assets at FVTPL

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

On 25 May 2018, the Group also invested USD6.0 million (equivalent to approximately RMB38.2 million) to subscribe for the partnership interest of approximately 9.69% in Ally Bridge Group Innovation Capital Partners III, L.P., a private equity fund established in Cayman Islands (the "Equity Fund"). The Equity Fund principally invests in securities or assets of companies that are involved in the healthcare industry, particularly focus on cross-border innovative late-stage venture opportunities and cross-over investments. The fair value of our investment in the Equity Fund as at 31 December 2021 amounted to RMB17.2 million, representing approximately 0.5% of the Company's total assets. The loss from fair value changes and unrealised exchange loss during the reporting period amounted to RMB74.1 million and RMB1.3 million, respectively. During the year ended 31 December 2021, the Equity Fund distributed dividend income of approximately RMB47.8 million (2020: approximately RMB10.0 million) to the Group. Based on the amount of dividend income generated in 2021 and 2020, as well as the outlook of the healthcare industry, the Company is optimistic on the prospects for the investments of the Equity Fund.

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

The investments were classified as financial assets at FVTPL in accordance with IFRS 9. Additional information in relation to these investments is set out in note 11 to the consolidated financial statements in this annual results announcement. In the opinion of the Directors, the investment in the Equity Fund is held for long-term strategic investment purposes and, as such, the investment is classified as non-current asset.

Finance income and finance costs

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

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

Income tax

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

Net profit

Net profit attributable to owners of the Company for the year ended 31 December 2021 was approximately RMB292.5 million as compared with RMB216.1 million for the year ended 31 December 2020. This increase was mainly due to (i) the growth of gross profit; and (ii) the decrease in expenses.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

BORROWINGS

With the proceeds generated from the 2020 Placing (as defined under the section headed "The 2020 Placing"), the Company repaid all of the bank borrowings in 2021. As at 31 December 2021, the Group did not have any bank borrowings (31 December 2020: approximately RMB174.5 million).

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

CASH AND CASH EQUIVALENTS

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

GEARING RATIO

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

CAPITAL STRUCTURE

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

TREASURY POLICY

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

PROPERTY HELD FOR DEVELOPMENT

On 26 June 2019, Dongguan LifeTech Medical Co., Ltd (東莞市先健醫療有限公司) ("Dongguan LifeTech"), a wholly-owned subsidiary of the Company entered into a land use right transfer contract with the Dongguan Natural Resources Bureau (東莞市自然資源局) for the acquisition of land use right of a land which has a site area of 43,604 square meters located at the Southeast of the intersection of South 1 Road and South 8 Road in eastern Songshan Lake, Dongguan, Guangdong, the 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 of the Company held on 30 June 2020. For further details, please refer to the Company's announcements dated 26 June 2019, 24 April 2020 and 30 June 2020 and the circular dated 9 June 2020 for further information.

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

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held by the Company for the year ended 31 December 2021, nor was there any plan authorised by the Board for other material investments or additions of capital assets as at the date of this annual results announcement. The Group did not hold any significant investment with a value greater than 5% of its total assets as at 31 December 2021.

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

CONTINGENT LIABILITIES

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

FINANCIAL INSTRUMENT

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

CAPITAL EXPENDITURE

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

FOREIGN EXCHANGE RISK

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

CHARGES ON GROUP ASSETS

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

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

CAPITAL COMMITMENT

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

SEGMENT INFORMATION

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

Structural heart diseases business

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

Peripheral vascular diseases business

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

Cardiac pacing and electrophysiology business

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

Financial information related to these aspects is presented in note 3 to the consolidated financial statements in this annual results announcement.

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

FUTURE PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

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

ENVIRONMENT AND SUSTAINABILITY

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

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief on the date of this annual results announcement, 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.

CORPORATE GOVERNANCE PRACTICES

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

THE 2020 PLACING

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2021, none of our Directors 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", we provide our employees with remuneration packages that take into account their performance, qualification and working experience, results of the Group and market conditions with additional benefits including bonuses, various kinds of subsidies and insurance coverage.

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDITORS

The consolidated financial statements in this annual results announcement 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 annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditors of the Company.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: nil).

ANNUAL GENERAL MEETING

The 2022 annual general meeting of the Company (the "2022 Annual General Meeting") will be held on Friday, 27 May 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2022 Annual General Meeting, the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Monday, 23 May 2022.

AUDIT COMMITTEE REVIEW

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

SCOPE OF WORK OF MESSRS DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This preliminary results announcement will be posted on the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the website of the Company (<http://www.lifetechmed.com>). The annual report for the financial year will be despatched to the shareholders of the Company and be available on the same websites in due course.

By Order of the Board
LifeTech Scientific Corporation
XIE Yuehui
*Executive Director, Chairman
and Chief Executive Officer*

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises Mr. XIE Yuehui and Mr. LIU Jianxiong being executive Directors; Mr. JIANG Feng being the non-executive Director; and Mr. LIANG Hsien Tse Joseph, Mr. WANG Wansong and Mr. ZHOU Luming being independent non-executive Directors.