



Airdoc 鷹瞳

Beijing Airdoc Technology Co., Ltd.
北京鷹瞳科技發展股份有限公司

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

Stock Code : 2251

2021



**ANNUAL
REPORT**

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. ZHANG Dalei (張大磊)
(Chairman and chief executive officer)
Mr. GAO Fei (高斐)
Dr. CHEN Yuzhong (陳羽中)
Mr. CHEN Hailong (陳海龍)

Non-executive Directors

Mr. JIANG Bo (蔣波)
Ms. WANG Mi (王謐)

Independent Non-executive Directors

Mr. NG Kong Ping Albert (吳港平)
Mr. WU Yangfeng (武陽豐)
Mr. HUANG Yanlin (黃彥林)

SUPERVISORS

Mr. WEI Yubo (魏宇博)
Ms. BAI Huihui (白惠惠)
Ms. ZHOU Wenjuan (周雯娟)

AUDIT COMMITTEE

Mr. NG Kong Ping Albert (吳港平) *(Chairman)*
Mr. HUANG Yanlin (黃彥林)
Mr. WU Yangfeng (武陽豐)

REMUNERATION AND APPRAISAL COMMITTEE

Mr. HUANG Yanlin (黃彥林) *(Chairman)*
Mr. GAO Fei (高斐)
Mr. NG Kong Ping Albert (吳港平)

NOMINATION COMMITTEE

Mr. ZHANG Dalei (張大磊) *(Chairman)*
Mr. HUANG Yanlin (黃彥林)
Mr. WU Yangfeng (武陽豐)

STRATEGY COMMITTEE

Mr. ZHANG Dalei (張大磊) *(Chairman)*
Mr. NG Kong Ping Albert (吳港平)
Mr. WU Yangfeng (武陽豐)

AUTHORIZED REPRESENTATIVES

Mr. ZHANG Dalei (張大磊)
Ms. SO Lai Shan (蘇麗珊)

JOINT COMPANY SECRETARIES

Ms. YANG Wenting (楊文婷)
Ms. SO Lai Shan (蘇麗珊) *(ACG (CS, CGP) HKACG (CS, CGP))*

HEAD OFFICE, REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 21, 4th Floor, Building 2, A2 Yard
West Third Ring North Road
Haidian District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

H SHARE REGISTRAR

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

Corporate Information

HONG KONG LEGAL ADVISER

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRC LEGAL ADVISER

Zhong Lun Law Firm
22-31/F, South Tower of CP Center
20 Jin He East Avenue
Chaoyang District
Beijing
PRC

AUDITOR

KPMG
*Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance*
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

STOCK CODE

2251

COMPANY WEBSITE

www.airdoc.com

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last three* financial years, as extracted from the audited financial information and financial statements is set out below:

	For the year ended December 31,		
	2021	2020	2019
	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000
Revenue	115,181	47,672	30,415
Cost of sales	(44,940)	(18,585)	(14,308)
Gross profit	70,241	29,087	16,107
Loss from operations	(142,229)	(51,913)	(46,141)
Loss before taxation	(142,527)	(79,251)	(87,132)
Loss for the year	(142,527)	(79,626)	(87,139)
Loss per share			
Basic and diluted (RMB)	(1.76)	(1.36)	(1.66)
	As of December 31,		
	2021	2020	2019
	(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000
Financial Position			
Non-current assets	48,566	26,854	6,230
Current assets	1,845,611	408,899	233,139
Non-current liabilities	3,420	2,405	2,242
Current liabilities	70,771	24,898	396,471
Net assets/(liabilities)	1,819,986	408,450	(159,344)
Total equity/(deficit) attributable to equity shareholders of the Company	1,819,986	408,212	(159,367)
Non-controlling interests	—	238	23

* The H Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on November 5, 2021.

Chairman's Statement

Dear Shareholders,

I am pleased to present our annual report for the year ended December 31, 2021 for the first time as a listed company. On behalf of the Board and Airdoc, we would like to thank you for your continued support and trust over the years.

As we went public on the Stock Exchange on November 5, 2021, the year 2021 marked a significant milestone along the trajectory of Airdoc's six-year development. By upholding the core values of inclusive healthcare, professionalism and long-term dedication, we have made great strides across the board throughout the year. In 2021, approximately 4.9 million cases were detected via our solutions, representing a year-over-year increase of 83% from 2020. Among these cases, we identified over 35,000 cases that were flagged with severe or urgent health problems. We are proud that we helped these people to get aware of the dire health risks they were facing, allowing them to go to the hospital for treatment in time. This also encourages us to continue our dedication in providing inclusive healthcare.

The past year also witnessed many R&D achievements that solidify our professionalism. We received a Class II medical device certificate from the Shanghai branch of the NMPA for our hardware AI-FUNDUSCAMERA-P in March 2021, since when our NMPA-approved portable fundus camera has been widely deployed in various healthcare environments to serve end users on a daily basis. This revolutionizes the traditional way of checking the retina as it significantly reduces reliance on professional operators and the ambient photo-shooting environment. In the beginning of this year, we received another Class II medical device registration certificate for our cataracts detection SaMD from the Shanghai branch of the NMPA, allowing us to possess two approved SaMDs for detection.

We published many papers together with renowned medical research institutions on various prestigious peer-reviewed scientific journals throughout the year. For example, we have been working with the Peking University Clinical Research Institute on the project of predicting 10-year ICVD risk via deep learning algorithms based on AI-empowered retinal imaging since 2017. Our joint research results were published on the Science Bulletin in August 2021. Different from the traditional time-consuming ICVD prediction model that requires complicated questionnaires, invasive blood tests and physical examinations, our AI-based non-invasive assessment method creates a convenient and low-cost alternative that not only performs equally well, if not better, but also has the potential to be widely used at primary healthcare institutions for ICVD screening and therefore reduce the ICVD burden in China.

It's professionalism that takes us this far, and we firmly believe that it's the same thing that will take us to the next level of development. With our mission of making high-quality healthcare accessible and affordable to everyone, we have been prepared for a long-term battle to achieve this mission. We are fully aware that a journey of a thousand miles begins with a single step. With more than 200 vascular diseases and nerve pathologies that can be directly observed from the retina, our work has just begun. How can retinal imaging be used to accurately predict myocardial infarction injuries and strokes? How should we cut down the cost of our retinal imaging device to make it affordable for every family? We are willing to devote ourselves to digitalizing our health conditions, even if it requires a lifelong commitment.

Chairman's Statement

Looking at the year 2021, it concluded on a strong footing with solid progress made on the commercialization in both medical institutions and consumer healthcare environments. As an effective entry to detect, diagnose and monitor chronic diseases as well as assess eye health conditions, our AI-based SaMDs, health risk assessment solutions and hardware devices have been widely used in an increasingly expanded network of various healthcare environments, including hospitals, health checkup centers, community clinics, insurance companies, optometry centers and pharmacies. We have also expanded our business footprint in serving government customers as we assisted many local governments with the chronic disease management for the older generation as well as eye health management for children and teenagers.

Looking ahead, we have ushered in a new beginning of our journey to realize “more intelligence, better care”. We will continue our R&D efforts to extend our technological leadership in the AI-based retinal imaging sector as well as enhance our product pipeline. With our customized products and services, we will continue accelerating our commercialization across all types of customers in different medical and consumer healthcare environments. As we are fully committed to our core values of inclusive healthcare, professionalism and long-term dedication, we are confident that we can achieve a fast and robust long-term growth while generating long-term value to our shareholders.

Mr. ZHANG Dalei

Chairman and Chief Executive Officer

March 17, 2022

Management Discussion and Analysis

BUSINESS REVIEW

We are an AI-based medical device company with an advanced platform of AI-empowered retina-based deep learning algorithms. Founded in 2015, we are one of the first to provide AI-empowered retina-based early detection, diagnosis and health risk assessment solutions in China. With the feature of integrated software and hardware solutions, we provide our AI-based SaMDs, health risk assessment solutions and hardware devices to a wide range of healthcare environments, enabling us to commercialize and sell not only to clinical departments in hospitals, but also to other medical and consumer healthcare environments, including health checkup centers, community clinics, insurance companies, optometry centers and pharmacies. Leveraging retinal imaging, multimodal data analyses and AI deep learning algorithms, our solutions differ from the traditional early detection and diagnosis method by adopting a non-invasive, accurate, fast, effective and scalable detection and diagnosis of chronic diseases. Our Airdoc-AIFUNDUS (1.0), an AI-based SaMD approved for the auxiliary diagnosis of diabetic retinopathy in August 2020, was the first of its kind that obtained the Class III medical device certificate from the NMPA. In 2021, we had detected approximately 4.9 million cases via our SaMDs and health risk assessment solutions.

Our Portfolio

To address the largely unmet medical needs of early detection and diagnosis of chronic diseases, we developed our AI-empowered retina-based early detection, diagnosis and health risk assessment solutions potentially capable of covering a wide range of diseases and lesions. Our portfolio includes SaMDs for detection and diagnosis, health risk assessment solutions and hardware devices, forming an integrated solution of AI-based software and hardware. The following diagram sets forth key details of our portfolio as of the date of this annual report:

Product Type	Product	Indication	Class Of Medical Device	R&D Stage		Registration Stage			Expected timeline for the next milestone	Expected NMPA Registration Certificate Application	
				Early-stage Development ¹	Late-stage Development ²	Registrational Trial	NMPA Submission	NMPA Approval			
SaMDs for Detection and Diagnosis	Airdoc-AIFUNDUS	Ver. 1.0	Diabetic retinopathy	Class III	[Progress bar]					Approved in August 2020	
			Hypertensive retinopathy		[Progress bar]						
		Ver. 2.0	Retinal vein occlusion	Class III	[Progress bar]					Q2 2022	To apply in Q2 2022
			Age-related macular degeneration (AMD)		[Progress bar]						
		Ver. 3.0	Pathological myopia	Class III	[Progress bar]					Q2 2023	To apply in H1 2024
		Retinal detachment		[Progress bar]							
		Glaucoma detection	Class II	[Progress bar]					Approved in June 2020		
		Cataracts detection	Class II	[Progress bar]					Approved in January 2022		
	Individual Products		ICVD / ASCVD	Class III	[Progress bar]					Q4 2023	To apply in H2 2024
			Gestational diabetic retinopathy	Class III	[Progress bar]					Q1 2025	To apply in H1 2026
		Gestational hypertensive retinopathy	Class III	[Progress bar]					Q1 2025	To apply in H1 2026	
		Papilledema intracranial hypertension retinopathy	Class III	[Progress bar]					Q4 2023	To apply in H2 2026	
		Anemia	Class II	[Progress bar]					Q4 2022	To apply in Q4 2023	

Product Type	Indication	R&D Stage		Commercialization Stage
		Early-stage Development ¹	Late-stage Development ²	Commercialization
Health Risk Assessment Solutions ³	55 types of lesions and diseases ⁴	[Progress bar]		
	Hyperthyroidism	[Progress bar]		
	Graves ophthalmopathy (external eye)	[Progress bar]		
	Retinal vein occlusion (prediction)	[Progress bar]		
	Dementia	[Progress bar]		
	Parkinson's disease	[Progress bar]		
	Atrial fibrillation	[Progress bar]		
	Arteriosclerosis (middle or large artery)	[Progress bar]		

Product Type	Product	Class Of Medical Device	R&D Stage		Registration Stage		Expected timeline for the next milestone	Expected NMPA Registration Certificate Application	
			Early-stage Development ⁵	Late-stage Development - Pilot Production ⁶	NMPA Submission	NMPA Approval			
Proprietary Hardware Device	AI-FUNDUSCAMERA-P	Class II	[Progress bar]					Approved in March 2021	
	AI-FUNDUSCAMERA-D	Class II	[Progress bar]					Q2 2022	To apply in Q2 2022
	AI-FUNDUSCAMERA-M	Class II	[Progress bar]					Q2 2023	To apply in Q4 2023

Our Core Product

Management Discussion and Analysis

Notes:

1. Early-stage development denotes the process of data collection, data labelling and model training.
2. Late-stage development denotes the process of data supplementation, algorithm training iteration and algorithm validation.
3. No regulatory approval or registration is required for the sale of our health risk assessment solutions in consumer healthcare environments.
4. During the Reporting Period, we offer health risk assessment solutions with the ability to detect risk indicators, including risk assessments of retinal abnormalities, retinal vascular, vitreous abnormalities, retinal tumors, optic nerve pathologies, macular diseases, congenital anomalies of the retina, cardiovascular disease and anemia.
5. Early-stage development denotes the process of product planning, product definition, engineering verification and design verification.
6. Pilot production denotes the process of production verification.

SaMDs for Detection and Diagnosis

We have Airdoc-AIFUNDUS, our in-house developed Core Product, and a pipeline of seven other in-house developed individual SaMDs in our SaMD portfolio.

Airdoc-AIFUNDUS — Our Core Product

Our Airdoc-AIFUNDUS is an AI-based SaMD that uses sophisticated deep learning algorithms to accurately detect and diagnose chronic diseases from retinal images. We developed Airdoc-AIFUNDUS based on our proprietary AI-empowered retina-based early detection, diagnosis and health risk assessment technology platform, which is driven by deep learning technologies and fully validated in terms of scientific theory, clinical trial data and clinical pathway.

We have three versions of Airdoc-AIFUNDUS. Our Airdoc-AIFUNDUS (1.0) was the first AI-empowered retina-based auxiliary diagnosis product that obtained the Class III medical device certificate from the NMPA for assisting physicians in medical institutions with detecting and diagnosing diabetic retinopathy. In our multi-center clinical trial with 1,000 enrolled patients, our Airdoc-AIFUNDUS (1.0) demonstrated an industry-leading sensitivity of 91.75% and specificity of 93.10%. Moreover, our Airdoc-AIFUNDUS (1.0) is widely compatible with most fundus cameras on the market, which enables us to be well-positioned to capture the significant market opportunity.

Airdoc-AIFUNDUS (2.0) is designed for the auxiliary diagnosis of hypertensive retinopathy, retinal vein occlusion and AMD. We already commenced our multi-center clinical trial in November 2021 and plan to apply for a registration approval of new indications with the NMPA in the second quarter of 2022. With the NMPA approval of our Airdoc-AIFUNDUS (2.0) in the future, it has the potential to become the first AI-based auxiliary diagnosis SaMD in China with multiple approved indications. After obtaining the registration approval of new indications, we plan to market our Airdoc-AIFUNDUS (2.0) to cardiovascular, endocrinology, neurology and ophthalmology departments in hospitals and promote it to patients with high blood pressure or at high risk of retinal vein occlusion.

Airdoc-AIFUNDUS (3.0) is designed for the auxiliary diagnosis of pathological myopia and retinal detachment to address increasing myopia and vision problems in China, especially in younger generations. We plan to commence the clinical trial for our Airdoc-AIFUNDUS (3.0) in October 2022 and begin to enroll subjects in late 2022 and apply for a registration approval of new indications with the NMPA in the first half of 2024.

Management Discussion and Analysis

Glaucoma Detection SaMD

Our glaucoma detection SaMD is used to process and analyze fundus images to detect glaucoma by measuring the CDR of the optic disc. Featuring high accuracy, objectivity and efficiency, our glaucoma detection SaMD allows an editable and traceable analysis process while enabling physicians to rely less on experience and training to generate the CDR in early detection of glaucoma. We received a Class II medical device registration certificate for our glaucoma detection SaMD from the Shanghai branch of the NMPA in June 2020.

Cataracts Detection SaMD

Our cataracts detection SaMD is designed to detect cataracts by measuring the color value of the eye lens. Our cataracts detection SaMD can help ophthalmologists conveniently detect cataracts in a more standardized and scalable way and facilitate the process of grading cataracts in an accurate and objective fashion. We recently received a Class II medical device registration certificate for our cataracts detection SaMD from the Shanghai branch of the NMPA in January 2022.

Other SaMDs for Detection and Diagnosis

We are developing five other SaMDs designed for the detection and auxiliary diagnosis, covering ICVD and ASCVD, gestational diabetic retinopathy, gestational hypertensive retinopathy, papilledema intracranial hypertension retinopathy and anemia based on our AI-empowered retina-based early detection, diagnosis and health risk assessment technology platform.

Health Risk Assessment Solutions

We offer health risk assessment solutions with the ability to detect risk indicators. We have marketed our health risk assessment solutions to a wide range of customers in various healthcare environments, including community clinics, health checkup centers, insurance companies, optometry centers and pharmacies. Our health risk assessment solutions aim to provide basic health assessment to users and detect risk indicators, including retinal abnormalities, retinal vascular diseases, vitreous abnormalities, retinal tumors, optic nerve pathologies, macular diseases, congenital anomalies of the retina, cardiovascular diseases and anemia. Our health risk assessment solutions are different from our SaMDs for detection and diagnosis in terms of indications as well as sales and marketing strategies. Unlike Airdoc-AIFUNDUS which is designed for the auxiliary diagnosis of the indications mentioned above and therefore can be primarily marketed to medical institutions, including hospitals, community clinics and health checkup centers, our health risk assessment solutions cover various disease areas and are primarily marketed to healthcare providers, including health checkup centers, community clinics, insurance companies, optometry centers and pharmacies. We plan to expand the coverage of diseases and lesions of our health risk assessment solutions to include hyperthyroidism, graves ophthalmopathy, retinal vein occlusion, dementia, Parkinson's disease, atrial fibrillation and arteriosclerosis, among others. Health risk assessment is a white space market due to difficulties in predicting risks of developing a chronic disease compared to detection or diagnosis of an existing disease. As chronic disease prevalence in China continues to rise, demand for health risk assessment by healthcare providers and the public is growing rapidly. We have adapted our health risk assessment solutions to meet the unique needs of different healthcare customers, including health checkup centers, insurance companies, optometry centers and pharmacies. To ensure and monitor the proper use of our health risk assessment solutions, we provide various after-sales service including customer services and technical supports.

Management Discussion and Analysis

Proprietary Hardware Devices

We have three in-house developed fundus cameras that are compatible with our auxiliary diagnosis SaMDs and health risk assessment solutions, enabling us to provide integrated healthcare solutions that combine hardware and software. Together with our software products, our hardware devices are powered by on-device AI technologies such as speech recognition, speech synthesis and computer vision and can successfully address pain points of existing fundus cameras on the market at a fraction of the cost.

AI-FUNDUSCAMERA-P

Our AI-FUNDUSCAMERA-P is a portable, automatic and self-service fundus camera that can easily apply to any healthcare environments, which is a breakthrough innovation from existing fundus cameras. Our products are operator-free and can complete the retinal image capture automatically while traditional fundus cameras require professionals to operate. We received a Class II medical device certificate from the Shanghai branch of the NMPA for our AI-FUNDUSCAMERA-P in March 2021 and had commenced commercialization since then.

AI-FUNDUSCAMERA-D

Our AI-FUNDUSCAMERA-D is a fully automatic and fully self-service desktop fundus camera with comparable image quality but significantly lower costs than traditional high-end desktop fundus cameras. Its infrared imaging and low-light enhancement technologies facilitate the capture of high-quality images. Our AI-FUNDUSCAMERA-D was in the R&D stage as of the date of this annual report and we plan to apply for a Class II medical device registration certificate in the second quarter of 2022.

AI-FUNDUSCAMERA-M

Our AI-FUNDUSCAMERA-M is a multimodal health scanner integrated with more biosensors that enable it not only to capture retinal images but also other physiological data, such as electrocardiograms, blood oxygen and blood pressure. The collection of multimodal physiological data serves as the foundation of our AI-based health risk assessment solutions. We expect to apply for a Class II medical device registration certificate for our AI-FUNDUSCAMERA-M in the fourth quarter of 2023.

WARNING UNDER RULE 18A.08(3) OF THE LISTING RULES: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CORE PRODUCT, AIRDOC-AIFUNDUS, OR OUR OTHER PRODUCTS.

Research and Development

We focus on developing AI-empowered and retina-based technology to enhance our existing pipeline and to provide comprehensive and multi-faceted high-quality AI-based solutions for chronic disease early detection and diagnosis. We believe that our success has depended on and will continue to depend on, to a large extent, our ability to develop new or improved AI-empowered retina-based early detection, diagnosis and health risk assessment solutions. To that end, we have primarily focused our efforts on developing deep learning algorithms, processing and labeling medical data, developing engineering infrastructures for algorithm training and data analysis, and developing technologies for our hardware devices. As of the date of this annual report, we have developed over 80 deep learning algorithms to cover a comprehensive range of diseases, lesions and health risks.

Management Discussion and Analysis

We are one of the few in the industry that offer solutions that integrate hardware, software, algorithms and services together as one product. While our AI-based SaMDs are compatible with various fundus cameras on the market, we believe that our in-house developed hardware devices powered by on-device AI technologies provide an improved user experience, better algorithm optimization with our software, seamless end-to-end performance and cost-effectiveness that make us the solution-of-choice to customers. We plan to constantly develop and upgrade our algorithms to address industry pain points, such as increasing screening efficiency, improving diagnosis accuracy and covering more health risks. We are developing algorithms and models for applications that currently do not use AI technology to improve accuracy and efficiency and reduce costs. We are also developing different types of hardware solutions tailored for each medical institutions and consumer healthcare environments, as well as constantly updating the technologies used in and process for manufacturing our fundus cameras to reduce costs.

Our R&D team has accumulated substantial industry experience and is the foundation of our success. As of the Reporting Period, our R&D team consisted of over 100 members, all of whom hold bachelor's or higher degrees. Our R&D team has experience in AI-technologies and medicine with a full spectrum of expertise across deep learning, medicine, computer vision, data analytics, internet service, medical devices, biology and other disciplines. Our R&D team is led by our chief technology officer, Dr. He Chao, and our chief medical officer, Dr. Chen Yuzhong.

We had also made a number of notable progresses in R&D during the Reporting Period. For example, in August 2021, we jointly published the research results regarding the application of AI-based retinal imaging in assessing 10-year ICVD risks in China on the Science Bulletin together with Peking University Clinical Research Institute, with which we have cooperated since 2017 on this research project of validating the effectiveness of deep learning algorithm using fundus photographs for the 10-year risk assessment of ICVD in China. Traditionally, the prediction model involves seven parameters including sex, age, systolic blood pressure, total cholesterol, body mass index, current smoking status and diabetes. This method that requires complicated questionnaires, invasive blood tests and physical examinations significantly hinders its practice in primary healthcare settings. As comparison, the joint study developed a non-invasive, convenient and low-cost alternative that utilizes deep learning algorithms based on retinal imaging to assess ICVD risks. This new method only requires retinal images which can be taken non-invasively within minutes and can instantly output the assessment results. It is also validated that the algorithm is well performed in screening for participants with borderline/intermediate or higher ICVD risk with the AUCs over 0.97 and 0.85 in the internal and external validations, respectively. Due to its convenience and effectiveness, it lays a solid foundation not only for the R&D of our ICVD and ASCVD SaMD, but also the potential application of such algorithm in the real-life ICVD screening environments, especially in primary healthcare settings.

Manufacturing

We do not operate any manufacturing facilities. We started pilot production of our AI-FUNDUSCAMERA-P in March 2020 to conduct quality and durability tests and commenced large-scale commercial production of it in April 2021. We engaged OEM service providers to manufacture our hardware devices. We have adopted procedures to ensure that the production qualifications, facilities and processes of these OEM service providers comply with the relevant regulatory requirements and our internal guidelines. We select our OEM service providers by reviewing a number of factors, including their qualification, expertise, technologies and equipment. We had no difficulty engaging OEM service providers during the Reporting Period and believe alternative OEM service providers that are able to provide similar quality of supplies at similar terms are readily available in the market.

Management Discussion and Analysis

We purchase raw materials for the production of our self-developed fundus cameras, such as plastic molds, metal components and PCBA. Such fundus cameras are produced in factories operated by these OEM service providers. Pursuant to our agreements with these OEM service providers, they are responsible for assembling and ensuring the compliance with regulatory standards. We typically will decide whether to accept the supply upon inspecting and examining the products and pay the OEM service providers after the receipt and inspection of products. In general, OEM service providers will provide complimentary after-sales services to us within the warranty periods, except for those whose warranty periods have expired, in which case they may charge a service fee for the cost of their repair services.

Our Commercialization Progress

Our portfolio of AI-empowered retina-based early detection, diagnosis and health risk assessment solutions has potentially broad applications and coverage of a wide range of chronic diseases. Given the wide range of healthcare environments that can use our products, we have developed a flexible and multi-channel sales and marketing strategy to cover various commercialization pathways in both medical institutions and consumer healthcare environments.

During the Reporting Period, the number of our customers increased to 244 from 85 in 2020. We continued expanding our service network to cover a growing number of service sites, which are represented by the number of customer accounts activated, operated by our customers. During the Reporting Period, excluding the seasonal factor, we had approximately 2,000 to 3,000 service sites on a monthly basis where our SaMDs and health risk assessment solutions were used. For our provision of SaMDs or health risk assessment solutions, we charge our customers on a pay-per-use basis based on the actual amount of testing services we provided, or charge our customers a preset fee for a predetermined or unlimited amount of testing services during the subscription period pursuant to the service agreements with our customers. For the Reporting Period, we had detected 4,864,414 cases (“Uses”) via our SaMDs and health risk assessment solutions, representing a year-over-year increase of 82.6%. We charged an average of RMB19.9 per Use, calculated by dividing our revenue from the provision of AI-based software solutions by the Uses, in 2021 as compared to RMB16.1 in 2020, representing a year-over-year increase of 23.9%.

We had established an in-house sales and marketing team of 156 members as of the Reporting Period to provide our customers with customized supports. Our sales and marketing team is divided into various functions covering different geographic regions and different channels. We provide our sales and marketing personnel with comprehensive training covering our corporate culture, product pipeline, medical theories, collaboration resources, sale procedures, price system and marketing system.

Management Discussion and Analysis

Medical Institutions

We promote our Airdoc-AIFUNDUS to medical institutions to assist physicians with medical diagnoses and target patients with chronic diseases covered by our Airdoc-AIFUNDUS. In August 2020, we received the Class III medical device registration certificate from the NMPA for our Airdoc-AIFUNDUS (1.0), the SaMD approved for the auxiliary diagnosis of diabetic retinopathy. We had just started the commercialization of our Airdoc-AIFUNDUS (1.0) for a period of only one year. We plan to rapidly increase the penetration of Airdoc-AIFUNDUS in hospitals in China. For other healthcare environments including community clinics and health checkup centers, we also market our health risk assessment solutions.

For our sales to hospitals, we will seek to include Airdoc-AIFUNDUS (1.0) in the pricing guidance in most provinces in China, upon which hospitals can charge patients separately for such medical service. As of the date of this annual report, the pricing guidance of fundus image analysis in large populations had been issued by local governmental authorities in Hebei, Shandong, Shanxi, Anhui and Jiangsu, pursuant to which our Airdoc-AIFUNDUS can be utilized as a new charging item. We currently plan to assist hospitals to obtain the pricing guidance in more provinces than we expected in 2021. Depending on the evolving policies and regulations adopted by various local governments, we may adjust from time to time the strategy in term of in which province we apply for the pricing guidance in order to obtain it as soon as possible. We are currently assisting hospitals in Beijing to obtain the pricing guidance and plan to assist hospitals in another four provinces with the application in the second quarter of 2022. Currently none of our products and solutions are covered by the medical insurance reimbursement list in China. We do not expect our Airdoc-AIFUNDUS (1.0) to be included in the medical insurance reimbursement list in the short-to-mid-term.

For the Reporting Period, we had marketed and provided our Airdoc-AIFUNDUS (1.0) to 41 hospitals and 36 community clinics in China. For the Reporting Period, we recorded revenue of RMB33.8 million from medical institutions; and we generated revenue of RMB18.7 million from the sales of our Airdoc-AIFUNDUS (1.0).

Consumer Healthcare Environments

We customize and market our health risk assessment solutions to various consumer healthcare customers, including insurance companies, optometry centers and pharmacies by deepening our business relationships with existing customers and continuing to increase our geographical presence. For the Reporting Period, we recorded revenue of RMB80.4 million from consumer healthcare environments.

For insurance companies, we assist them in evaluating the health conditions of their insurance applicants and insured members accurately and efficiently. As of the Reporting Period, we had provided our solutions to over 40 insurance companies, among which were top commercial insurance companies such as Ping An Insurance (平安保險), China Pacific Insurance (中國太平洋保險), China Life Insurance (中國人壽), Taiping Life Insurance (太平人壽保險), New China Insurance (新華保險), Taikang Pension (泰康養老), Manulife Sinochem (中宏保險), AIA Insurance (友邦保險) and PICC (中國人民保險).

For optometry centers, we provide our customers with a comprehensive analysis of their end customers' retinal conditions and enable them to identify risk factors that may lead to impaired vision. During the Reporting Period, we had our health risk assessment solutions deployed in over 1,100 optometry stores across China. In addition to Formosa Optical (寶島眼鏡), we also cooperated with leading optical chains such as JINGGONG Glasses (精功眼鏡), Jingyi Glasses (精益眼鏡) and Optical 88 (眼鏡88).

Management Discussion and Analysis

For pharmacies, we empower our customers to serve as a landing point for various healthcare services and managing chronic diseases, especially among the older generation. During the Reporting Period, there were over 250 pharmacies that used our health risk assessment solutions across the country. On top of Gaoji Health (高濟醫療), we also partnered with leading pharmacy chains such as Zhangzhongjing Pharmacy (張仲景大藥房).

During the Reporting Period, we expanded our commercialization footprint into government projects. For example, we assisted the governmental authority of Dongcheng District of Beijing with the building of intelligent eye health management platform, conducting eye health management and continuous monitoring for elementary school-age and middle school-age students in the Dongcheng District. We cooperated with the governmental authority in Xiamen and assisted them in the screening of diabetic retinopathy among the older generation, and we also partnered with the governmental authority in Qingdao on the project of screening various chronic diseases, including diabetes, hypertension, arteriosclerosis, cardiovascular and cerebrovascular diseases, and anemia, among the middle-age population.

Future and Outlook

With the mission to make high-quality healthcare accessible and affordable to everyone, we partner with a variety of customers in different healthcare environments and empower them to provide professional healthcare services to end users. As we are exploring business opportunities across various verticals in both medical institutions and consumer healthcare environments, we have identified one area that emerges as a robust business pillar with exciting growth potential, and that is eye health management. Not only do we receive strong eye health-related demand from our customers, but also we see an increasingly favorable regulatory environment for carrying out such business. For example, departments of ophthalmology in hospitals or specialized eye hospitals, optometry centers, pharmaceutical companies and primary healthcare institutions are keenly looking for partners who can provide them with solutions for myopia prevention and treatment among children and teenagers; and this is also one of the prioritized well-being projects many local governments are conducting. With such market demand emerging, we believe our business foundation will be bolstered by three key pillars going forward, which are medical institutions, eye health management and consumer healthcare environments. Bearing in mind what our customers actually need and need the most, we will continue to invest R&D resources to diversify our pipeline products to meet various customer needs, customize product and service solutions to cater to different healthcare environments, and assign dedicated sales and operation team to support different clientele throughout the entire business lifecycle.

FINANCIAL REVIEW

Revenue

During the Reporting Period, we primarily generated revenue from provision of AI-based software solutions, which represented our provision of health risk assessment solutions to healthcare providers, including community clinics, health checkup centers, insurance companies, optometry centers and pharmacies, and our provision of SaMDs to medical institutions. Although we have started commercialization of our Airdoc-AIFUNDUS (1.0) for a relatively short period of time and therefore generated a relatively small portion of revenue from provision of this product for the year ended December 31, 2021, it continues a strong growth momentum and contributes an increasingly higher proportion of revenue. We also generated revenue from the sales of hardware devices, representing the third-party fundus cameras we sold together with our software, and from other services, primarily including procurement services we provided to our customers for hardware devices supplied by third parties and software development services we provided to our customers according to their customization requirements. Depending on customer needs, we may sell our software as a standalone product or as a bundle with hardware developed by us or third parties.

Management Discussion and Analysis

Our revenue increased by 141.6% from RMB47.7 million for the year ended December 31, 2020 to RMB115.2 million for the year ended December 31, 2021. This increase was primarily driven by the increase in revenue from the sales of our SaMDs and health risk assessment solutions as well as the sales of hardware devices.

Cost of Sales

Our cost of sales primarily consists of (i) employee benefits expenses; (ii) hardware devices costs, representing purchase and lease costs of fundus cameras from third parties that were used with our software. We did not charge separately for providing these leased fundus cameras to our customers. Considering the duration of service, pricing of our service and cost of fundus cameras, we decide on a case-by-case basis whether we purchase or lease fundus cameras from third parties. In certain cases, we believe that leasing the fundus cameras would be more cost-effective for us; (iii) depreciation expenses primarily relate to the depreciation of hardware devices; and (iv) cloud service fees, representing the service fees we paid to cloud service suppliers to support our AI-based software solutions.

Our cost of sales increased from RMB18.6 million for the year ended December 31, 2020 to RMB44.9 million for the year ended December 31, 2021, which is generally in line with the increase in sales of our hardware devices and AI-based software solutions.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB29.1 million for the year ended December 31, 2020 to RMB70.2 million for the year ended December 31, 2021. Gross profit margin is calculated as gross profit divided by revenue. During the Reporting Period, we recorded higher gross profit margin for provision of AI-based software solutions as compared to that for sales of hardware devices. The overall gross profit margin of the Group remained stable on a year-over-year basis at 61.0% for the year ended December 31, 2021, which is generally in line with the growth of different revenue streams and the corresponding increases in our cost of sales. The gross profit margin of our AI-based software solutions increased from 62.4% for the year ended December 31, 2020 to 67.5% for the year ended December 31, 2021.

Other Income

Our other income decreased significantly from RMB5.0 million for the year ended December 31, 2020 to RMB1.4 million for the year ended December 31, 2021, primarily due to a net foreign exchange loss of RMB9.4 million partially offset by the increases in investment income from wealth management products, government grants and interest income from bank deposits.

Management Discussion and Analysis

R&D Expenses

Our R&D expenses primarily consist of (i) employee benefits expenses for our employees involved in R&D; (ii) product registration expenses; (iii) testing expenses, representing expenses incurred for AI studies, R&D activities, technical services, medical equipment and testing services; (iv) depreciation expenses in relation to our R&D equipment and facilities; and (v) others, which primarily include leasing expenses for our R&D facilities, travel expenses, utilities expenses and other general office expenses for R&D activities. The following table summarizes a breakdown of our R&D expenses for the periods indicated.

	For the year ended December 31,	
	2021	2020
	(Audited)	(Audited)
	RMB'000	RMB'000
Employee benefits expenses	44,266	30,669
Product registration expenses	5,706	1,047
Testing expenses	9,598	7,056
Depreciation expenses	2,376	1,199
Others	2,319	2,338
Total	64,265	42,309

Our R&D expenses increased by 51.9% from RMB42.3 million for the year ended December 31, 2020 to RMB64.3 million for the year ended December 31, 2021, primarily due to (i) an increase of RMB13.6 million in employee benefits expenses as a result of the expansion of our R&D team; (ii) an increase of RMB4.7 million in product registration expenses as a result of an increasing number of our pipeline products under development incurring registration-related expenses; and (iii) an increase of RMB2.5 million in testing expenses as a result of the expedition of development of our AI-based software solutions and hardware devices.

Selling Expenses

Our selling expenses primarily consist of employee benefits expenses for our in-house sales and marketing team and marketing expenses.

Our selling expenses increased from RMB25.8 million for the year ended December 31, 2020 to RMB72.6 million for the year ended December 31, 2021, primarily due to the expansion of our sales and marketing team and increased marketing activities, which was generally in line with the expansion of our business.

Administrative Expenses

Our administrative expenses mainly consist of employee benefits expenses for our employees involved in administrative and supportive functions and professional service expenses.

For the year ended December 31, 2021, we recorded administrative expenses of RMB77.1 million, representing a significant increase of RMB59.2 million from RMB17.9 million recorded for the year ended December 31, 2020, which was primarily due to an increase of RMB30.5 million in professional service expenses which include RMB10.3 million incurred from our Listing as well as the increase in employee benefits expenses as a result of team expansion to support our growing business.

Management Discussion and Analysis

Finance Costs

Our finance costs mainly consisted of interest on leasing liabilities relating to our lease of office premises. We recorded finance costs of RMB0.02 million and RMB0.3 million for the years ended December 31, 2020 and 2021, respectively.

Listing Expenses

We recorded listing expenses of RMB10.3 million for the year ended December 31, 2021 (2020: nil), reflecting the fees paid to professional parties engaged in preparation for our Listing in 2021.

Income Tax

We recorded income tax of RMB0.4 million and nil for the years ended December 31, 2020 and 2021, respectively.

Loss for the Year

We recorded a loss of RMB142.5 million for the year ended December 31, 2021, as compared to a loss of RMB79.6 million for the year ended December 31, 2020.

Property, Plant and Equipment

Our property, plant and equipment primarily consists of (i) hardware devices, representing the fundus cameras which have been deployed or will be deployed at our customers' service sites to be used together with our software; (ii) furniture and others; (iii) right-of-use assets, representing the leasing of our offices; and (iv) leasehold improvement.

Our property, plant and equipment increased from RMB23.2 million as of December 31, 2020 to RMB45.0 million as of December 31, 2021 primarily due to the increasing number of hardware devices as we manufactured more fundus cameras to support our business as well as the increase of other office equipment such as computers and servers, and an increase in right-of-use as we leased more office space to support our business growth.

Inventories

Our inventories primarily consist of raw materials for manufacturing our self-developed fundus cameras and the third-party fundus cameras we purchased for the bundled sales together with our software. We assign specific personnel to regularly monitor our inventories and endeavor to keep an optimal inventory level in line with the expected usages in the near term.

Our inventories increased from RMB3.6 million as of December 31, 2020 to RMB7.7 million as of December 31, 2021, primarily because we procured more third-party fundus cameras in order to shorten the delivery cycle and meet the needs of our business growth.

Trade Receivables

Our trade receivables increased from RMB19.5 million as of December 31, 2020 to RMB34.0 million as of December 31, 2021, which was generally in line with the growth of our business. During the Reporting Period, we granted credit terms to our customers on a case-by-case basis based on our assessment. Our average trade receivables turnover days decreased from 139 days in 2020 to 87 days in 2021, primarily due to our enhanced payment collection efforts.

Management Discussion and Analysis

Deposits, Prepayments and Other Receivables

Our deposits, prepayments and other receivables increased from RMB11.1 million as of December 31, 2020 to RMB19.2 million as of December 31, 2021, primarily due to an increase in prepayments to suppliers as we purchase more raw materials for the production of our self-developed fundus cameras as well as more third-party fundus cameras, advertisement services and cloud services to support our business expansion, partially offset by a decrease in deposits as we leased less fundus cameras after the launch of our self-developed fundus camera AI-FUNDUSCAMERA-P.

Cash and Cash Equivalents

Our cash and cash equivalents increased from RMB374.7 million as of December 31, 2020 to RMB1,784.6 million as of December 31, 2021, primarily attributable to the net proceeds received by us from our series D pre-IPO investment and the Listing.

Trade and Other Payables

Our trade and other payables increased from RMB16.7 million as of December 31, 2020 to RMB48.5 million as of December 31, 2021, primarily attributable to the increase in accrued payroll as a result of our business expansion, the increase in trade payables as a result of the expansion of our manufacturing, and the accrued listing expense, partially offset by the decrease in receipt in advance as an agent primarily because we settled the purchase of fundus cameras with our suppliers. During the Reporting Period, we were typically granted credit terms of one month by our suppliers. Our average trade payables turnover days increased from 23 days in 2020 to 45 days in 2021, primarily due to the efforts we made to manage and optimize our payment schedule.

Liquidity and Source of Funding

Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As of 31 December 2021, our current assets were RMB1,845.6 million, including inventories of RMB7.7 million, trade receivables of RMB34.0 million, deposits, prepayments and other receivables of RMB19.2 million and cash and cash equivalents of RMB1,784.6 million. As of 31 December 2021, our current liabilities were RMB70.8 million, including trade and other payables of RMB48.5 million, contract liabilities of RMB17.1 million, lease liabilities of RMB4.8 million and current taxation of RMB0.4 million.

Borrowings

As of December 31, 2021, we did not have any bank loans or other borrowings.

Contract Liabilities

Our contract liabilities represent our obligations to transfer services to our customers as we entered into services agreements with our customers for AI-based software solutions and sales of hardware devices for which we have received advanced payments from such customers under the relevant customer service agreements or work orders.

Our contract liabilities increased from RMB7.3 million as of December 31, 2020 to RMB17.1 million as of December 31, 2021, which was primarily attributable to the short-term advances received from customers for new contracts obtained as a result of our business growth.

Management Discussion and Analysis

Lease Liabilities

Our lease liabilities increased from RMB0.5 million as of December 31, 2020 to RMB4.8 million as of December 31, 2021, which was primarily because we leased more office space or renewed our lease to support our business growth.

Net Current Assets

The increase in our net current assets from RMB384.0 million as of December 31, 2020 to RMB1,774.8 million as of December 31, 2021 was primarily due to the funds we raised through the series D pre-IPO investment and the Listing.

Gearing Ratio

Gearing ratio is calculated by using interest-bearing borrowings and lease liabilities less cash and cash equivalents, divided by total equity and multiplied by 100%. As of December 31, 2021, the Company was in a net cash position and thus gearing ratio is not applicable.

Treasury Policy

We adopt a prudent financial management approach for our treasury policy to ensure that our liquidity structure comprising assets, liabilities and other commitments is able to always meet our capital requirements.

Profiles of Directors, Supervisors and Management

EXECUTIVE DIRECTORS

Mr. ZHANG Dalei (張大磊), aged 39, our Founder, joined our Group on September 9, 2015 and was appointed as a Director and chairman of the Board on the same date. Mr. Zhang was re-designated as an executive Director on April 30, 2021. Mr. Zhang is primarily responsible for the overall management of the business strategy and corporate development of our Group.

Mr. Zhang has been serving as a director and chairman of the board of directors of Airdoc Shanghai since July 2017, the chairman of the board of directors and general manager of Shanghai Zhongyou since July 2017, an executive director at Airdoc Guangzhou since August 2017, an executive director and the general manager of Guowei Jian'an since January 2018, a director of Airdoc Beijing since August 2018 and a director of Airdoc HK since February 2020. Mr. Zhang has been serving as the chairman of the board of directors and general manager of Airdoc Beijing Intelligence since October 2021, the chairman of the board of directors and general manager of Airdoc Beijing Medical since November 2021, an executive director and the general manager of Airdoc Tianjin Internet Hospital since November 2021 and an executive director and the general manager of Airdoc Tianjin Healthcare since December 2021.

Mr. Zhang has accumulated over 12 years of robust experience in the management of high-tech companies and accumulated technological knowledge in the R&D of AI technologies. From April 2015 to September 2015, Mr. Zhang served as the product vice president of Sina Technology (China) Company Limited* (新浪網技術(中國)有限公司). From June 2014 to April 2015, Mr. Zhang served as a vice president at Synapse Computer System (Shanghai) Co., Ltd.* (突觸計算機系統(上海)有限公司), a wholly owned subsidiary of PPLive Corporation, where he was mainly responsible for product development and technology. From May 2010 to May 2013 Mr. Zhang served as the chief technology officer of Ethos Technologies Inc. (宇思信德科技(北京)有限公司). From March 2008 to April 2010, Mr. Zhang served as a program manager of Macintosh Business Unit of Microsoft (China) Co., Ltd.* (微軟(中國)有限公司).

Mr. Zhang received his bachelor's degree in pharmaceuticals from The Second Military Medical University (第二軍醫大學) in the PRC in June 2003. Mr. Zhang was granted the "Certified Standards Professional" and recognized as the "Most Valuable Professional" by Microsoft in April 2008 and April 2011, respectively. Mr. Zhang was certified as the Information System Project Manager (Senior)* (信息系統項目管理師(高級)) by Beijing Human Resources and Social Security Bureau (北京市人力資源社會保障局) in November 2010. Mr. Zhang has been serving as a member of Professional Committee of Smart Medical of Chinese Association for Artificial Intelligence* (中國人工智能學會智慧醫療專業委員會) since December 2020.

Mr. GAO Fei (高斐), aged 39, our Co-Founder, joined our Group on September 9, 2015 and was appointed as a Director on the same date. Mr. Gao was re-designated as an executive Director on April 30, 2021. Mr. Gao is primarily responsible for the management of investor relationship, legal matters and optometry related business of our Group.

Mr. Gao has been serving as a director and the general manager of Airdoc Shanghai since July 2017, a director of Shanghai Zhongyou since July 2017, and the chairman of the board of directors of Airdoc Beijing since August 2018.

From June 2015 to September 2015, Mr. Gao served as a senior operation manager of Sina Technology (China) Company Limited, where he was primarily responsible for growth of application user and channel promotion. From July 2014 to June 2015, Mr. Gao worked at Synapse Computer System (Shanghai) Co., Ltd.* (突觸計算機系統(上海)有限公司), a wholly owned subsidiary of PPLive Corporation. From December 2006 to August 2011, Mr. Gao served as a partner of Beijing Jingsou Lande Consultancy Co., Ltd.* (北京精搜蘭德諮詢有限公司), where he was primarily responsible for project management, financial and legal matters and administration. From December 2004 to August 2006, Mr. Gao served as a macroeconomic analyst of China Economic Network Data Co., Ltd.* (中經網數據有限公司), where he was primarily responsible for drafting macroeconomic related briefing and annual report.

Profiles of Directors, Supervisors and Management

Mr. Gao received his bachelor's degree in economics from Jilin University (吉林大學) in the PRC in July 2004. Mr. Gao has been serving as the deputy secretary-general of Professional Committee of Smart Medical of Chinese Association for Artificial Intelligence* (中國人工智能學會智慧醫療專業委員會) since August 2015.

Dr. CHEN Yuzhong (陳羽中), aged 50, joined our Group on August 15, 2017 and was appointed as a Director on November 30, 2018. Dr. Chen was re-designated as an executive Director on April 30, 2021. Dr. Chen is primarily responsible for the medical R&D, product registration and overall operational support of our Group. Since September 2018, Dr. Chen has been serving as the general manager of Airdoc Guangzhou.

Dr. Chen has approximately 20 years of frontline experience applying technology information to clinical practice, including experience in Grade IIIA general hospitals. From February 2013 to July 2017, Dr. Chen served as a deputy director of the administration department of medicine and education of Shanghai Changzheng Hospital* (上海長征醫院), where he was primarily responsible for hospital medical administration, medical insurance, healthcare, quality, health support, informatization, pharmacy, equipment and centralized procurement. From July 2011 to January 2013, Dr. Chen served as a deputy director of teaching department of Shanghai Changhai Hospital* (上海長海醫院). From February 2007 to July 2011, Dr. Chen served as a deputy director of condition construction division of The Second Military Medical University, where he was primarily responsible for school condition construction, information construction, drug equipment management, laboratory animal management, scientific research teaching warehouse management. From December 2004 to February 2007, Dr. Chen served as a secretary of the training department of The Second Military Medical University* (第二軍醫大學) for management of medical, teaching, scientific research, information construction and foreign affairs. From September 1998 to November 2004, Dr. Chen served as a medical assistant of the teaching department of Shanghai Changhai Hospital, where he was primarily responsible for management of outpatient, emergency, Kangbin Building (康賓樓), rehabilitation department, quality, information construction and performance reform.

Dr. Chen received his bachelor's degree, master's degree and doctor's degree of medicine in July 1995, June 1998 and June 2013, respectively, from The Second Military Medical University in the PRC. Since April 2018, Dr. Chen has been serving as a deputy secretary-general of China Medical Imaging AI Industry-Academy-Research-Application Innovation Alliance* (中國醫學影像AI產學研用創新聯盟). Since November 2018, Dr. Chen has served as a member of Professional Committee of Medical Industry Transformation and Health Industry Integration (醫工轉化與健康產業融合專業委員會) of Chinese Research Hospital Association (中國研究型醫院學會). Since December 2020, Dr. Chen has been serving as a deputy director of Professional Committee of Smart Medical of Chinese Association for Artificial Intelligence* (中國人工智能學會智慧醫療專業委員會).

Mr. CHEN Hailong (陳海龍), aged 40, joined our Group on August 22, 2016 and was appointed as a Director on December 7, 2016. Mr. Chen was re-designated as an executive Director on April 30, 2021. Mr. Chen is primarily responsible for the design of product structure, R&D and management of R&D team of application business of our Group.

Mr. Chen has over 15 years of experience in information and technology industry. From April 2011 to August 2016, Mr. Chen served as a structure engineer of Meilishuo (Beijing) Internet Technology Co., Ltd.* (美麗說(北京)網絡科技有限公司), where he was primarily responsible for trading system structure design. From December 2005 to March 2011, Mr. Chen served as a software engineer of Ethos Technologies Inc.

Mr. Chen received his bachelor's degree in computer science and technology from Hebei University of Technology (河北工業大學) in the PRC in July 2005.

Profiles of Directors, Supervisors and Management

NON-EXECUTIVE DIRECTORS

Mr. JIANG Bo (蔣波), aged 40, joined our Group on December 20, 2019 and was appointed as a Director on the same date. Mr. Jiang was re-designated as a non-executive Director on April 30, 2021. Mr. Jiang is primarily responsible for providing guidance and advice on the corporate and business strategies.

Since October 2021, Mr. Jiang has been serving as a partner of Index Capital (指數資本). From May 2020 to February 2022, Mr. Jiang served as a non-executive director of Cosmo Lady (China) Holdings Company Limited (都市麗人(中國)控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 2298). From May 2018 to September 2021, Mr. Jiang served as the president of Fosun Private Equity (復星美元產業基金), where he was primarily responsible for management of investment. From January 2017 to April 2018, Mr. Jiang served as a partner of Long Hill Capital (長嶺資本). From March 2012 to January 2017, Mr. Jiang served as an executive director of New Enterprise Associates (Beijing) Co., Ltd.* (恩頤投資諮詢(北京)有限公司). From December 2006 to July 2010, Mr. Jiang served as a mobile payment product expert of Alibaba (China) Co. Ltd (阿里巴巴(中國)有限公司), an indirectly wholly-owned subsidiary of Alibaba Group Holdings Limited (阿里巴巴集團控股有限公司), a company whose shares are listed on the New York Stock Exchange (ticker symbol: BABA) and the Stock Exchange (stock code: 9988).

Mr. Jiang received his master of business administration from The Wharton School of The University of Pennsylvania in the U.S. in May 2012. Mr. Jiang received his master of philosophy in industrial engineering and engineering management from the Hong Kong University of Science Technology in Hong Kong in November 2005. Mr. Jiang received his bachelor's degree in computer science and technology from Tsinghua University in the PRC in July 2002.

Ms. WANG Mi (王謐), aged 36, joined our Group on June 1, 2020 and was appointed as a Director on the same date. Ms. Wang was re-designated as a non-executive Director on April 30, 2021. Ms. Wang is primarily responsible for providing guidance and advice on the corporate and business strategies.

Since July 2021, Ms. Wang has served as the head of Cathay CN Ecosystem of Cathay Capital. From May 2020 to July 2021, Ms. Wang served as an investment director of Ping An Global Voyager Fund* (平安全球領航基金), where she is primarily responsible for investment management. From January 2019 to April 2020, Ms. Wang served as a strategic director of Ping An International Smart City Technology Co., Ltd.* (平安國際智慧城市科技股份有限公司). From October 2015 to December 2018, Ms. Wang served as a strategic director of the office of the chief information officer of Ping An Group, where she was primarily responsible for Internet-related and major strategic investments and incubation of artificial intelligence medical projects.

Ms. Wang received her bachelor's degree of science in mathematics and applied mathematics from Tsinghua University (清華大學) in the PRC in July 2008. Ms. Wang received her master of business administration from Institut Européen d'Administration des Affaires (INSEAD) in France in July 2014.

Profiles of Directors, Supervisors and Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. NG Kong Ping Albert (吳港平), aged 64, joined our Group and was appointed as an independent non-executive Director on April 30, 2021. Mr. Ng is primarily responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of our Group.

Mr. Ng is the retired chairman of Ernst & Young China, the managing partner of Ernst & Young in Greater China and a member of Global Executive Committee of Ernst & Young. He has over 30 years of professional experience in the accounting industry in Hong Kong and Mainland China. Before joining Ernst & Young, Mr. Ng successively served as the partner-in-charge of Arthur Andersen LLP in Greater China, the partner-in-charge of China business of PricewaterhouseCoopers and the managing director of Citigroup China Investment Banking.

Mr. Ng is the president of the second session of Hong Kong China Chamber of Commerce and once served as a member of the first and second Consulting Committee of Corporate Accounting Standard (企業會計準則諮詢委員會), an advisor of the Hong Kong Business Accountants Association and a member of the Advisory Board of the School of Accountancy of The Chinese University of Hong Kong. Mr. Ng is also a member of the Audit Committee of The Chinese University of Hong Kong (Shenzhen) and a council member of the Education Foundation of The Chinese University of Hong Kong (Shenzhen).

Mr. Ng has obtained his bachelor's and master's degree in business administration from The Chinese University of Hong Kong in December 1981 and October 1988, respectively. Mr. Ng is also a member of Hong Kong Institute of Certified Public Accountants (HKICPA), Chartered Accountants Australia and New Zealand (CAANZ), CPA Australia (CPAA) and Association of Chartered Certified Accountants (ACCA).

Mr. WU Yangfeng (武陽豐), aged 59, was appointed as an independent Director on December 25, 2020. Mr. Wu was re-designated as an independent non-executive Director on April 30, 2021. Mr. Wu is primarily responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of our Group.

Since July 2006, Mr. Wu has been working at medicine department of Peking University (北京大學) with his current position being the executive deputy director of clinical research institute, a professor of clinical research methodology and a doctoral supervisor.

Before July 2006, Mr. Wu worked at Fuwai Hospital (阜外醫院) with his last position as a director of epidemiology research office, a researcher and a doctoral supervisor. Mr. Wu received his bachelor's degree of medicine from Shanxi Medical College (山西醫學院) in the PRC in December 1984. Mr. Wu received his master's degree and doctor's degree in medicine from Peking Union Medical College (中國協和醫科大學) in the PRC in December 1987 and July 1996, respectively.

Mr. HUANG Yanlin (黃彥林), aged 49, joined our Group on December 25, 2020 and was appointed as an independent Director on the same date. Mr. Huang was re-designated as an independent non-executive Director on April 30, 2021. Mr. Huang is primarily responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of our Group.

Profiles of Directors, Supervisors and Management

From July 2020 to April 2021, Mr. Huang served as the chief technology officer of 9F Inc. (玖富集團), a company whose shares are listed on NASDAQ (ticker symbol: JFU), where he was primarily responsible for overseeing research and development. From August 2019 to July 2020, Mr. Huang served as the chief technology officer of GOME Holdings Group (國美控股集團), where he was primarily responsible for leading research and development. From September 2016 to June 2019, Mr. Huang served as the chief technology officer of Vipshop Holdings Limited, a company whose shares are listed on the New York Stock Exchange (ticker symbol: VIPS), where he was primarily responsible for leading research and development. From April 2015 to September 2016, Mr. Huang served as the chief technology officer of Sina Technology (China) Company, where he was primarily responsible for leading research and development. Mr. Huang previously served as the chief technology officer of Shanghai SynaCast Media Tech Co., Ltd.* (上海聚力傳媒技術有限公司) (PPTV), where he was primarily responsible for leading research and development. Mr. Huang once worked at Microsoft.

Mr. Huang received his bachelor's degree of science in microbiology from Wuhan University (武漢大學) in the PRC in July 1993. Mr. Huang received his PhD degree in biochemistry from State University of New York at Buffalo in the U.S. in September 1999. Mr. Huang received his master's degree in computer science from the University of Virginia in the U.S. in January 2001.

SUPERVISORS

Mr. WEI Yubo (魏宇博), aged 40, joined our Group on April 30, 2016 and was appointed as a Supervisor on December 7, 2016. Mr. Wei is the chairman of the board of Supervisors and primarily responsible for overseeing our business operations. Since July 2017, July 2017 and August 2017, Mr. Wei has served as a supervisor at Shanghai Zhongyou, Airdoc Shanghai and Airdoc Guangzhou, respectively. Mr. Wei has been serving as a supervisor of Airdoc Beijing Intelligence since October 2021, a supervisor of Airdoc Beijing Medical since November 2021, a supervisor of Airdoc Tianjin Internet Hospital since November 2021 and a supervisor of Airdoc Tianjin Healthcare since December 2021.

From July 2012 to April 2016, Mr. Wei served as an engineer of IGT Technology (Beijing) Co., Ltd. (IGT科技開發(北京)有限公司), where he was primarily responsible for software development and testing. From April 2006 to June 2012, Mr. Wei worked successively at Beyondsoft Technology Co., Ltd.* (博彥科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002649) and Microsoft, where he was mainly responsible for Mac Office Testing.

Mr. Wei received his bachelor's degree in electronic information engineering from Jilin University (吉林大學) in the PRC in July 2004.

Ms. BAI Huihui (白惠惠), aged 31, joined our Group December 25, 2020 and was appointed as a Supervisor on the same date. Ms. Bai is primarily responsible for overseeing our business operations.

Ms. Bai holds the following positions outside our Group concurrently. Since April 2020, Ms. Bai has been serving as the chairman of the board and general manager at Guoke Kaiyan Capital Co., Ltd.* (國科開研資本有限公司) ("Guoke Capital"). Since March 2019, Ms. Bai has been serving as an executive director and general manager at Geluoli Asset Management Co., Ltd.* (格羅力資產管理有限公司). Since April 2020, she has been serving as a supervisor at Beijing Kaiyan Investment Management Co., Ltd.* (北京開研投資管理有限公司).

From March 2019 to June 2019, Ms. Bai served as a supervisor at Guoke Capital. From June 2019 to April 2020, she served as a director at Guoke Capital.

Ms. Bai received her bachelor's degree in light information science and technology from Shenzhen University (深圳大學) in the PRC in June 2012.

Profiles of Directors, Supervisors and Management

Ms. ZHOU Wenjuan (周雯娟), aged 38, joined our Group on May 12, 2021 and was appointed as a Supervisor on the same date. Ms. Zhou is primarily responsible for overseeing our business operations.

Since November 2021, Ms. Zhou has been serving as the chief financial officer of NIU Technologies, a company whose shares are listed on NASDAQ (ticker symbol: NIU). From July 2020 to October 2021, Ms. Zhou served as the chief financial officer of Sogou Inc., a company whose shares are listed on the New York Stock Exchange (ticker symbol: SOGO), where she was mainly responsible for finance and legal matters, investor relationship and internal control. From 2015 to 2019, Ms. Zhou successively served as the financial director of Beijing Chuanfu Yuntian Technology Co., Ltd.* (北京傳富雲天科技有限公司), a member of Alibaba Group, and the chief financial officer of Beijing Yidian Wangj Technology Co., Ltd.* (北京一點網聚科技有限公司), where she was mainly responsible for finance and legal matters, investor relationship and internal control. From 2012 to 2015, she served as the chief financial officer of Tianji.com (天際網), a member of at Viadeo S.A. Group. From 2009 to 2012, she served as an assistant to general manager of finance department of Concord Medical Services Holdings Limited, a company whose shares are listed on the New York Stock Exchange (ticker symbol: CCM). From 2006 to 2009, she served as an auditor at PricewaterhouseCoopers.

Ms. Zhou obtained her bachelor's degree in financial management from University of International Business and Economics (對外經濟貿易大學) in the PRC in July 2006 and her executive master in business administration from HEC Paris in June 2016. She was certified as a Certified Public Accountant and a Chartered Global Management Accountant by the American Institute of Certified Public Accountants in April 2012 and June 2014, respectively.

SENIOR MANAGEMENT

Mr. ZHANG Dalei (張大磊), aged 39, was appointed as our chief executive officer on September 9, 2015. Please refer to the section headed "Executive Directors — Mr. ZHANG Dalei" for his biography.

Ms. YANG Wenting (楊文婷), aged 36, joined our Group on June 1, 2020 and was appointed as the chief financial officer of our Company on December 25, 2020. Ms. Yang was also appointed on as one of our joint company secretaries on May 12, 2021. Ms. Yang is primarily responsible for the overall management of corporate finance and Board related matters of our Group.

From December 2017 to February 2020, Ms. Yang served as the general manager of the finance department of New Studios Media Co., Ltd. (北京新片場傳媒股份有限公司). From October 2013 to September 2015, Ms. Yang served as the financial controller of Beijing Office of Quadrivium SA, where she was primarily responsible for financial management and investment project management. From October 2008 to October 2013, Ms. Yang served as an audit manager at KPMG Huazhen (Special General Partnership) (畢馬威華振會計師事務所(特殊普通合伙)).

Ms. Yang received her bachelor's degree in accounting from Hunan University (湖南大學) in June 2007 in the PRC and her master's degree of business administration (MBA) from the University of Manchester, Alliance Manchester Business School in the United Kingdom in December 2017. She was admitted as a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in November 2013 and admitted as a member of The Association of Chartered Certified Accountants in June 2016.

Save as disclosed above, none of our Directors, Supervisors or senior management members has held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years preceding the date of this annual report.

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

Profiles of Directors, Supervisors and Management

JOINT COMPANY SECRETARIES

Ms. YANG Wenting (楊文婷), was appointed on as one of our joint company secretaries on May 12, 2021. Ms. Yang is also our chief financial officer. Please refer to the section headed “Senior Management — Ms. YANG Wenting” for her biography.

Ms. SO Lai Shan (蘇麗珊), was appointed as the joint company secretary of the Company on January 19, 2022.

Ms. So currently serves as a manager of corporate services of Vistra Corporate Services (HK) Limited. Ms. So has over ten years of experience in the corporate services industry. She acted as the company secretary of C.banner International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1028) from August 2018 to March 2021, and the joint company secretary of China Hanking Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3788) from August 2018 to April 2021, Greatview Aseptic Packaging Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 468) from August 2018 to April 2021, Jingrui Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1862) from October 2018 to May 2021, Shanghai Jin Jiang Capital Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2006) from August 2018 to April 2021, New Century Healthcare Holding Co. Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1518) from August 2018 to August 2020 and Chiho Environmental Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 976) from April 2017 to December 2017, respectively.

Ms. So obtained a master’s degree of corporate governance in December 2011 from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong). She has been an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in United Kingdom since November 2014.

Corporate Governance Report

The Board is pleased to present the corporate governance report for the Company for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions of the CG Code contained in Appendix 14 to the Listing Rules, as its own code to govern its corporate governance practices.

As the shares of the Company were listed on the Stock Exchange with effect from the Listing Date, the CG Code did not apply to the Company during the period before the Listing Date. In addition, no Audit Committee meeting, Remuneration and Appraisal Committee meeting, Nomination Committee meeting or Strategy Committee meeting were held during the period from the Listing Date up to December 31, 2021.

Except for code provision C.2.1 set out below, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the period from the Listing Date up to the date of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Mr. ZHANG Dalei is the chairman of the Board, chief executive officer and founder of the Company. With extensive experience in the medical devices industry and having served in the Company since its establishment, Mr. ZHANG Dalei is in charge of overall management, business and strategic development of the Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer in the same person is beneficial to the business operations and management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises four executive Directors (including Mr. ZHANG Dalei), two non-executive Directors and three independent non-executive Directors, and therefore has a strong independent element in its composition.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance and assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors, Supervisors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors and Supervisors confirmed that they have complied with the Model Code during the period from the Listing Date up to December 31, 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the period from the Listing Date up to December 31, 2021.

Corporate Governance Report

BOARD OF DIRECTORS

The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

As of the date of this annual report, the composition of the Board is as followings:

Executive Directors:

Mr. ZHANG Dalei (*Chairman*)
Mr. GAO Fei
Dr. CHEN Yuzhong
Mr. CHEN Hailong

Non-executive Directors:

Mr. JIANG Bo
Ms. WANG Mi

Independent non-executive Directors:

Mr. NG Kong Ping Albert
Mr. WU Yangfeng
Mr. HUANG Yanlin

The biographical details of the Directors are set out in the section headed “Directors, Supervisors and Senior Management” on pages 20 to 26 of this annual report.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

During the period from the Listing Date up to December 31, 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company has entered into a service agreement with each of the Directors and Supervisors which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration.

Corporate Governance Report

The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following his/her respective appointment date; and (b) each of the agreements is subject to termination in accordance with their respective terms. The terms of appointment of each Director may be re-elected in accordance with the Articles of Association and the applicable rules.

The Company has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors and Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

The Company may, in accordance with the Articles of Association, remove by ordinary resolution any Director whose term of office has not yet expired (provided that claims of the director for damages under any contract shall not be affected by this).

The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole. The procedures and process of appointment, re-election and removal of directors are set out in the Articles of Association. The primary duties of the Nomination Committee are to make recommendations to the Board regarding the appointment of Directors and Board succession.

RESPONSIBILITIES OF THE DIRECTORS

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

To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors and officers of the Company arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. During the period from the Listing Date up to the date of this annual report, the Directors were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations.

Corporate Governance Report

All Directors, namely Mr. ZHANG Dalei, Mr. GAO Fei, Dr. CHEN Yuzhong, Mr. CHEN Hailong, Mr. JIANG Bo, Ms. WANG Mi, Mr. NG Kong Ping Albert, Mr. WU Yangfeng and Mr. HUANG Yanlin have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Each of the aforesaid Directors are encouraged to attend relevant training courses at the Company's expenses and required to submit a signed training records to the Company on an annual basis.

BOARD COMMITTEES

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code set out in Appendix 14 to the Listing Rules. The written terms of reference of the Audit Committee are available on the respective websites of the Stock Exchange and the Company.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee comprises three independent non-executive Directors, namely Mr. NG Kong Ping Albert, Mr. HUANG Yanlin and Mr. WU Yangfeng. Mr. NG Kong Ping Albert, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

During the period from the Listing Date up to December 31, 2021, no Audit Committee meeting was held.

Remuneration and Appraisal Committee

The Company has established the Remuneration and Appraisal Committee in compliance with Rule 3.25 of the Listing Rules and the CG Code set out in Appendix 14 to the Listing Rules. The written terms of reference of the Remuneration and Appraisal Committee are available on the respective websites of the Stock Exchange and the Company.

The primary duties of the Remuneration and Appraisal Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The Remuneration and Appraisal Committee comprises one executive Director and two independent non-executive Directors, namely Mr. GAO Fei, Mr. NG Kong Ping Albert and Mr. HUANG Yanlin. Mr. HUANG Yanlin is the chairman of the committee.

During the period from the Listing Date up to December 31, 2021, no Remuneration and Appraisal Committee meeting was held. Details of the remuneration payable to each Director for the year ended December 31, 2021 are set out in Note 8 to the financial statements.

Corporate Governance Report

The remuneration of the members of senior management by band for the year ended December 31, 2021 is set out below:

REMUNERATION BANDS (RMB)	NUMBER OF PERSONS
1,000,000–10,000,000	1
0–1,000,000	1
TOTAL	2

Nomination Committee

The Company has established the Nomination Committee in compliance with the CG Code set out in Appendix 14 to the Listing Rules. The written terms of reference of the Nomination Committee are available on the respective websites of the Stock Exchange and the Company.

The primary duties of the Nomination Committee are to make recommendations to the Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. ZHANG Dalei, Mr. HUANG Yanlin and Mr. WU Yangfeng. Mr. ZHANG Dalei is the chairman of the committee.

During the period from the Listing Date up to December 31, 2021, no Nomination Committee meeting was held.

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

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence (for appointment of independent non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board.

Strategy Committee

The Company has established the Strategy Committee. The written terms of reference of the Strategy Committee are available on the respective websites of the Stock Exchange and the Company.

The primary duties of the Strategy Committee are to review and advise on mid to long term strategic positioning and development plans and to monitor the implementations of development plans. The Strategy Committee comprises one executive Director and two independent non-executive Directors, namely Mr. ZHANG Dalei, Mr. NG Kong Ping Albert and Mr. WU Yangfeng. Mr. ZHANG Dalei is the chairman of the committee.

During the period from the Listing Date up to December 31, 2021, no Strategy Committee meeting was held.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

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

The Board had reviewed:

- the Company's policies and practices on corporate governance, compliance with legal and regulatory requirements;
- code of conduct and compliance manual (if any) applicable to employees and Directors;
- the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- training and continuous professional development of Directors and senior management relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration and Appraisal Committee shall meet at least once every year; and the Audit Committee and Strategy Committee shall meet at least twice a year.

Due to the fact that the Company was listed on November 5, 2021, one Board meetings, no Audit Committee meeting, Remuneration and Appraisal Committee meeting, Nomination Committee or Strategy Committee meeting were held during the period from the Listing Date up to December 31, 2021.

Corporate Governance Report

A summary of the attendance record of the Directors at Board meetings and committee meetings during the period from the Listing Date up to December 31, 2021 is set out in the following table below:

Name of Director	Board	Number of meeting(s) attended/Eligible to attend				Annual General Meeting
		Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy Committee	
Executive Directors:						
Mr. ZHANG Dalei	1/1	N/A	N/A	0/0	0/0	0/0
Mr. GAO Fei	1/1	N/A	0/0	N/A	N/A	0/0
Dr. CHEN Yuzhong	1/1	N/A	N/A	N/A	N/A	0/0
Mr. CHEN Hailong	1/1	N/A	N/A	N/A	N/A	0/0
Non-executive Directors:						
Mr. JIANG Bo	1/1	N/A	N/A	N/A	N/A	0/0
Ms. WANG Mi	1/1	N/A	N/A	N/A	N/A	0/0
Independent Non-executive Directors:						
Mr. NG Kong Ping Albert	1/1	0/0	0/0	N/A	0/0	0/0
Mr. WU Yangfeng	1/1	0/0	N/A	0/0	0/0	0/0
Mr. HUANG Yanlin	1/1	0/0	0/0	0/0	N/A	0/0

BOARD DIVERSITY POLICY

Pursuant to Rule 13.92 of the Listing Rules, the Nomination Committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report.

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy (the "Board Diversity Policy") which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the Board Diversity Policy, we seek to achieve the diversity of the Board through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, educational background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution that the selected candidates will bring to the Board.

The Board targets to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity. The Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

Corporate Governance Report

The Company has taken, and will continue to take, steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. In particular, Ms. WANG Mi, one of the non-executive Directors, Ms. BAI Huihui, one of the Supervisors responsible for overseeing business operations, and Ms. YANG Wenting, the chief financial officer responsible for the overall management of corporate finance and Board related matters, are female and form part of the Board, board of Supervisors and senior management team. Going forward, the Company will continue to work to enhance gender diversity of the Board. The Board will use its best endeavors to appoint female Directors to the Board (keeping in mind the importance of management continuity and the timeline for retirement and re-appointment of Directors under the Articles) and Nomination Committee will use its best endeavors and on suitable basis to identify and recommend multiple suitable female candidates to the Board for its consideration on appointment of a Director. The Company will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that the Company will have a pipeline of female management and potential successors to the Board in due time to ensure gender diversity of the Board. The Group will continue to emphasize training of female talent and providing long-term development opportunities for female staff.

Directors have a balanced mix of knowledge and skills, including in biochemistry, software engineering, business development, investment management and corporate finance. They obtained degrees in various majors including biochemistry, clinical medicine, economics and business administration, among others. The Company has three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of the Board. Further details on the biographies and experience of the Directors are set out on page 20 to page 26 of this annual report.

Nomination Committee is responsible for ensuring the diversity of the Board members, monitoring the implementation of the Board Diversity Policy and reviewing the Board Diversity Policy from time to time to ensure its continued effectiveness. The Company will disclose in corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

NOMINATION POLICY

The Company has adopted the nomination policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Directors.

The Nomination Committee shall first review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and then make recommendations to the Board on matters relating to the appointment of Directors.

When evaluating and determining the candidates of Directors, the Nomination Committee and the Board shall consider the following factors: personal characters; professional qualifications, skills, knowledge, and experience related to the Group's business and strategy; willing to devote sufficient time to fulfill the duties of the Directors and members of the Board committees; whether their appointment is in compliance with the requirements of the Listing Rules (including the independence requirements of independent non-executive Directors); whether their appointment is in compliance with the Company's Board diversity policy and any measurable targets adopted by the Nomination Committee to diversify the members of the Board.

Corporate Governance Report

DIVIDEND POLICY

The dividend policy of the Company aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders.

The declaration, form, frequency and amount of dividend paid by the Company must be in accordance with relevant laws and regulations and subject to the Article of Association.

The proposal of payment and the amounts of dividends will be made at the discretion of the Board and will depend on the Company's general business condition and strategies, cash flows, financial results and capital requirements, the interests of the Shareholders, taxation conditions, statutory and regulatory restrictions, and other factors that our Board deems relevant. Any dividend distribution shall also be subject to the approval of the Shareholders in a Shareholders' general meeting.

All Shareholders are entitled the same right to receive dividends and distributions distributed by shares or cash. The Board will review the dividend policy as appropriate from time to time.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

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

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company recognizes that risk management is critical to the success of business. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the AI-based medical imaging market in China, the ability to develop and commercialize the Company's portfolio, and ability to compete with other AI-based medical device companies. The Company also faces various financial risks. In particular, the Company are exposed to credit, liquidity, interest rate and foreign exchange risks that may arise in the normal course of business.

Corporate Governance Report

The Company has adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with strategic objectives on an on-going basis. The Board is responsible for establishing internal control system and reviewing its effectiveness. The risk management department will prepare annual report at the beginning of each year identifying and assessing operation risks which will be submitted to general manager for review. The risk management department will then evaluate the implement of risk management procedures at the end of each year. During the Reporting Period, the Company regularly reviewed and enhanced internal control system. As of December 31, 2021, there were no material outstanding issues relating to the Group's internal control. The Company considers that Directors and members of senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control. The Board also believes that the internal control and risk management systems of the Company are adequate and effective.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period.

The Board, as supported by the Audit Committee as well as the management, annually reviewed the effectiveness of the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

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

Internal Control

The Board is responsible for establishing internal control system and reviewing its effectiveness. The Company has an internal audit department with sufficient staff to ensure full and effective implementation and supervision of the Company. Below is a summary of the internal control policies, measures and procedures that the Company has implemented:

- adopted various measures and procedures regarding each aspect of operations, such as protection of data and internal information, inventory and outsourcing management, and IT system. The Company also regularly monitor the implementation of those measures and procedures.
- periodically review compliance status with all relevant laws and regulations with assistance from the legal advisors.
- established the Audit Committee which shall (i) make recommendations to the Board on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of the Group.
- engaged a compliance adviser to provide advice to Directors and management team regarding matters relating to the Listing Rules. The compliance adviser is expected to, inter alia, ensure the use of the proceeds from the Global Offering complies with "Future Plans and Use of Proceeds" in the prospectus of the Company and provide support and advice regarding the requirements of relevant regulatory authorities on a timely basis.

Corporate Governance Report

- maintained strict anti-corruption policies among sales personnel and distributors in sales and marketing activities. The Company has issued Anti-Corruption Management Regulations, which clearly define the key areas and key steps of anti-corruption function and the responsibilities and authorities of relevant departments in carrying out anti-corruption function.
- adopted various measures and procedures regarding treasury management, including but not limited to procedures of capital management, bank account management, financial budget preparation, and treasury payment.
- dedicated to cultivating a compliance culture among all of employees. To ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behavior across the Group, the Company conducted regular internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training.
- established four committees under the Board pursuant the corporate governance practice requirements under the Listing Rules, including the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee.
- adopted internal protocols governing both the confidentiality and privacy for operational data and third-party data, covering data collection, data storage as well as data access.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 99 of this annual report.

Corporate Governance Report

AUDITOR'S REMUNERATION

Details of the fees paid or payable to the Company's auditors, in respect of the audit and non-audit services for the year ended December 31, 2021 are set out in the table below:

Services rendered for the Company	RMB'000
Audit services	1,950
Non-audit services (include mainly the IPO related services)	5,050
Total	7,000

COMPANY SECRETARY

Ms. SO Lai Shan ("Ms. So") from Vistra Corporate Services (HK) Limited, an external service provider, has been engaged by the Company as a joint company secretary, replacing Ms. FUNG Po Ting ("Ms. Fung") on January 19, 2022. Another joint company secretary, Ms. YANG Wenting ("Ms. Yang"), acts as the primary contact person at the Company of Ms. So.

In compliance with Rule 3.29 of the Listing Rules, each of Ms. So, Ms. Fung and Ms. Yang have undertaken not less than 15 hours of relevant professional training to update her skills and knowledge during the Reporting Period.

SHAREHOLDERS' RIGHTS

Rights to Convene Extraordinary General Meeting

To safeguard Shareholders' interests and rights, the Shareholders are encouraged to participate at the general meetings of the Company and to vote thereat. An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The annual general meeting of the Company will provide a forum for the Board and the Shareholders to communicate. The Board will answer questions raised by Shareholders at the annual general meeting.

Pursuant to Article 72 of the Articles of Association, the general meeting shall be convened by the Board. If the Board is unable or fails to fulfill the obligation of convening the meetings of the general meeting, the Board of Supervisors shall convene such meetings. If the Board of Supervisors does not convene such meetings, the Shareholders individually or jointly holding no less than 10% of the Company's shares for no less than 90 consecutive days may convene such meetings on their own.

Corporate Governance Report

Independent Directors shall have the right to propose for an extraordinary general meeting to the Board. The Board shall give a written reply on agreeing or disagreeing to convene an extraordinary general meeting of Shareholders according to the provisions of the laws, administrative regulations, Listing Rules and the Articles of Association within 10 days after receiving a proposal put forward by independent Directors on convening an extraordinary general meeting of Shareholders. Directors will issue a notice to convene a Shareholders' general meeting within 5 days after making the resolution where it agrees to convene an extraordinary general meeting of Shareholders; where the Board disagree to convene an extraordinary general meeting, it shall explain the reasons and make a public notice.

Procedures for Putting Forward a Proposal at the General Meeting

Pursuant to Article 75 of the Articles of Association, when the Company convenes a general meeting, Shareholders individually or jointly holding more than 3% of the shares of the Company may submit an interim proposal in writing to the convener 10 days before the general meeting is held. The convener shall issue a supplementary notice of the general meeting within 2 days after receiving the proposal.

Unless it is prescribed by the preceding paragraph, the convener shall, after sending out a notice on the general meeting, not amend the proposal as mentioned in the aforesaid notice or add any new proposal.

Right to Put Enquiries to the Board

Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: Room 21, 4th Floor, Building 2, A2 Yard, West Third Ring North Road, Haidian District, Beijing, PRC
Email: ir@airdoc.com
Tel: 8610-82362300

Enquiries will be dealt with in a timely and informative manner.

COMMUNICATION WITH SHAREHOLDERS

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

The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements; (ii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the Company's website and the Stock Exchange's website; (iv) the Company's website offering communication channel between the Company and its stakeholders; and (v) the Company's H share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company has reviewed the above Shareholders and investor communication activities conducted in 2021 and was satisfied with the implementation and effectiveness of the Shareholders Communication Policy.

CHANGES IN CONSTITUTIONAL DOCUMENTS

Save as disclosed above, there is no other change in constitutional documents of the Company during the Reporting Period.

Environmental, Social and Governance Report

ABOUT THE REPORT

The report (“Report”) is the first Environmental, Social and Governance (“ESG”) Report published by Beijing Airdoc Technology Co., Ltd. (hereinafter referred to as the “Company”, “we” or “Airdoc”). Prepared based on the principles of materiality, quantification and consistency, the Report gives a comprehensive overview of the Company’s management approach and performance in ESG from January 1, 2021 to December 31, 2021, with focus on issues of concern to internal and external stakeholders and the ways to reflect the economic, environmental and social sustainability. Unless otherwise stated, the information presented in the Report is the data recorded for the year 2021. The Report covers Beijing Airdoc Technology Co., Ltd. and its subsidiaries, which is consistent with the scope of this annual report.

Principles of Preparation

The Report was prepared in accordance with the following reporting principles:

Materiality: Material ESG issues were identified through materiality assessment and disclosed in the ESG report;

Quantification: Quantitative information on environmental and social areas was presented in the ESG report with explanation of its purpose and impact, and comparative data will be provided in subsequent annual ESG reports;

Consistency: The Report is our first ESG report, and we will use a consistent method to disclose ESG information in subsequent years to facilitate meaningful year-to-year comparisons.

Basis of Preparation

The Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Access and Response to the Report

You can download the Chinese and English versions of the Report on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company’s website (<http://www.airdoc.com>). The Report is published in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail. If you have any comments or suggestions on the Company’s ESG performance, please send an email to ir@airdoc.com.

Environmental, Social and Governance Report

ABOUT US

Founded in 2015, Airdoc is an AI-based medical device company with an advanced platform of AI-empowered retina-based deep learning algorithms. We are one of the first to provide AI-empowered retina-based early detection, diagnosis and health risk assessment solutions in China. With the feature of integrated software and hardware solutions, we provide our AI-based SaMDs, health risk assessment solutions and hardware devices to a wide range of healthcare environments, enabling us to commercialize and sell not only to clinical departments in hospitals, but also to other medical and consumer healthcare environments, including health checkup centers, community clinics, insurance companies, optometry centers and pharmacies. Leveraging retinal imaging, multimodal data analyses and AI deep learning algorithms, our solutions differ from the traditional early detection and diagnosis method by adopting a non-invasive, accurate, fast, effective and scalable detection and diagnosis of chronic diseases. Our Airdoc-AIFUNDUS (1.0), an AI-based SaMD approved for the auxiliary diagnosis of diabetic retinopathy in August 2020, was the first of its kind that obtained the Class III medical device certificate from the NMPA. In 2021, we had detected approximately 4.9 million cases via our SaMDs and health risk assessment solutions.

BOARD STATEMENT

The Company recognizes the importance of good corporate governance and risk management processes, including the management of ESG matters that are critical to our sustainable development. We have established an ESG management system, including the ESG committee under the board of directors (the “Board”) and ESG-related departments, to clarify the division of labour at all levels and to promote the implementation of ESG work. The ESG committee under the Board guides the sustainability direction of the Company, develops the overall vision, goals and management strategies for sustainability, and reviews the annual ESG report. The Report fully discloses the progress and outcome of the Company’s ESG work in 2021. The Board and all directors of the Company confirm that there are no misrepresentations, misleading statements or material omissions in the Report.

Based on the external socio-economic macro environment and the Company’s development strategy, the management team of the Company dynamically assesses the importance of ESG issues, discusses and determines the risks and opportunities in environmental, social and corporate governance, and regards the management and improvement of key issues as annual strategic work for sustainable development, carries out management on ESG plans and targets, and monitors ESG performance. In the materiality assessment of ESG issues, we found that customer privacy management, innovation and intellectual property rights, product quality and recall, customer relationship management, and employee rights and welfare were the top ESG issues that internal and external stakeholders paid close attention to. Based on this, the Company focuses managing resources and clarifies the priorities of disclosure.

The Company strictly protects user privacy, encourages innovation in product R&D which is also driven by user needs and guided by market trend, strictly controls product quality, and values customer service management. Adhering to the principle of mutual benefit and win-win cooperation, we actively integrate and share the advantageous resources in the industry, and form a community with various stakeholders to seek benefits for shareholders and customers, and enable employees to share the results of corporate development.

In addition, we are also keenly aware of the opportunities and challenges brought by increasingly tightened regulations and the trend of green, safe and sustainable development. In the future, we will adjust our management strategies and approaches to promote sustainable development according to the expectations of stakeholders and our actual operations, aiming to continuously improve our sustainability level.

Environmental, Social and Governance Report

SUSTAINABILITY MANAGEMENT

Since the United Nations World Commission on Environment and Development proposed the concept of “sustainable development” in 1987, sustainable development has become an issue closely related to every enterprise and individual. Since our establishment, the Company has been adhering to the business philosophy of common development of economy, society and environment, promoting sustainable business practices and fulfilling corporate social responsibilities, in order to better grasp the opportunities brought by the development of the industry.

Stakeholder Engagement

The Company fully considers and effectively responds to the expectations and demands of stakeholders, and works with stakeholders to promote social development and shares development achievements.

Stakeholders	Stakeholder expectations	Communication and participation mechanism	The Company's responses
Investors	<ul style="list-style-type: none">• Increase in Company's market cap and profitability• Continuous improvement of the Company's performance in environmental and social responsibility	General meetings, information disclosure, and the Company's website	<ul style="list-style-type: none">• Regularly publishing reports, truthfully and fully disclosing information, and striving to improve performance and creating profits• Improving the Company's governance and risk management level, holding general meetings, strengthening investor relations management, and striving to improve environmental and social responsibility management
Customers	<ul style="list-style-type: none">• Excellent product quality• Protection of legitimate rights and interests	Signing of contracts and agreements, and customer satisfaction surveys	<ul style="list-style-type: none">• Providing high quality products and services• Establishing perfect customer service system and customer feedback and complaint mechanism

Environmental, Social and Governance Report

Stakeholders	Stakeholder expectations	Communication and participation mechanism	The Company's responses
Employees	<ul style="list-style-type: none"> Ensuring employee compensation and benefits Care for employee safety and health Providing equal promotion and development opportunities Improving communication mechanism and participating in corporate management 	Labour contracts and employee satisfaction surveys	<ul style="list-style-type: none"> Strictly abiding by the terms of labour contracts, and improving the compensation and welfare system Providing a safe and healthy working environment Offering employee development channels and organizing employee training Providing equal communication channels
Government	<ul style="list-style-type: none"> Operating in compliance with rules, laws and regulations, and implementing national policies 	Attending government-related meetings	<ul style="list-style-type: none"> Strictly abiding by relevant laws and regulations, continuously strengthening compliance management and responding to relevant national policies
Suppliers	<ul style="list-style-type: none"> Cooperating in an honest, fair and just manner to achieve mutual benefit and win-win results and promote industry development 	Signing contracts and agreements, and holding bidding and supplier meetings on a regular basis	<ul style="list-style-type: none"> With business principles of openness and transparency, actively fulfilling contracts and agreements, implementing an open and transparent procurement model, and creating a responsible supply chain
Peers	<ul style="list-style-type: none"> Fair competition, honest cooperation, transparent and open information Following industry norms and promoting industrial innovation 	Communicating with industry-related research institutes, associations and mainstream media	<ul style="list-style-type: none"> Strengthening exchanges and cooperation with peers to jointly create a healthy and orderly competition environment Engaging in industrial innovation and research, pursuing mutual benefit and win-win results, and common progress, participating in industry evaluation, and providing suggestions for industry standardization

Environmental, Social and Governance Report

Materiality Assessment

In accordance with the Stock Exchange's ESG Reporting Guide and the Global Reporting Initiative's materiality analysis procedures, the Company collected issues of concern to major stakeholders through such forms as questionnaires and interviews. A materiality analysis was conducted to prioritize and identify the Company's material environmental, social and governance issues that were disclosed in the Report.

Materiality Assessment Process

- 1) ESG issues relevant to the Company were identified through analysis of the Stock Exchange's ESG Reporting Guide and issues disclosed by peers;
- 2) Key stakeholders were invited to assess the importance of identified issues. Internal stakeholders mainly assessed the issues from the perspective of the Company's long-term development strategy, management improvement, urgency of investment and competitive advantage, while external stakeholders mainly considered the evaluation of the Company and the influence of decisions and the influence on their interests. The results of assessment by internal and external stakeholders were integrated to create an initial materiality matrix;
- 3) The management of the Company reviewed the priorities of the issues and reported them to the Board for review;
- 4) After the Reporting Period, the Company will invite internal and external stakeholders to give feedback on the contents of the current report to prepare for the next report.

Materiality Matrix



Environmental, Social and Governance Report

R&D AND INNOVATION

The Company encourages innovation in product R&D which is also driven by user needs and guided by market trend. Through the whole-process development and management, we achieve rapid product development, accurate positioning and cost-effectiveness to cater to the commercialization of products. The Company is an AI-based medical device company with an advanced platform of AI-empowered retina-based deep learning algorithms. Riding on our unique advantages, we lead the rapid development of the AI-based medical imaging industry, and actively fulfill our social responsibilities through innovation and R&D while seizing market opportunities.

Our Advantages

As the AI-based medical imaging industry continues its rapid growth, by utilizing our product portfolio and technology platform, we are leading the development of the industry with the following advantages.

- Integrated software and hardware solutions which allow us to integrate hardware, software, algorithms and services together as a full suite of total solution for our customers;
- In-house developed AI algorithms with broad applicability;
- Comprehensive and high-quality retinal image database;
- Strong R&D team with full spectrum expertise;
- Close collaboration with KOLs and major hospitals;
- Multi-channel commercialization which allows us to further enrich our real-world user database, creating a feedback loop to further optimize existing algorithms and develop new algorithms;
- Close alignment with regulatory requirements which allows us to have a finger on the pulse of regulatory developments and changes and at the same time lead the development of the industry.

Environmental, Social and Governance Report

Product Portfolio

To address the largely unmet medical needs of the early detection and diagnosis of chronic diseases, we have developed our AI-empowered retina-based early detection, diagnosis and health risk assessment solutions that target a wide range of diseases and lesions. Our product portfolio includes SaMDs for detection and diagnosis, health risk assessment solutions and hardware devices, forming an integrated solution of AI-based software and hardware solutions.

- **SaMDs for detection and diagnosis.** The Company has three versions of Airdoc-AIFUNDUS in the product portfolio. Airdoc-AIFUNDUS (1.0), an AI-based SaMD approved for the auxiliary diagnosis of diabetic retinopathy, was the first of its kind that obtained the Class III medical device certificate from the NMPA, enabling it to be used in hospitals in China to assist physicians in diagnosing diabetic retinopathy. Airdoc-AIFUNDUS (2.0) is designed for the auxiliary diagnosis of hypertensive retinopathy, retinal vein occlusion and AMD. Airdoc-AIFUNDUS (3.0) is designed for the auxiliary diagnosis of pathological myopia and retinal detachment. In the meantime, the Company has a product pipeline of seven other SaMDs covering indications which include glaucoma, cataracts, ICVD and ASCVD, gestational diabetic retinopathy, gestational hypertensive retinopathy, papilledema intracranial hypertension retinopathy and anemia;
- **Health risk assessment solutions.** The Company provides health risk assessment solutions with the ability to detect health risk indicators in a wide range of healthcare environments including health checkup centers, community clinics, insurance companies, optometry centers and pharmacies. Our comprehensive product pipeline can not only provide solutions for various medical institutions, but also can be widely used in consumer healthcare environments;
- **Proprietary hardware devices.** The Company has three in-house developed fundus cameras, namely AI-FUNDUSCAMERA-P, AI-FUNDUSCAMERA-D and AI-FUNDUSCAMERA-M, which can be compatible with our SaMDs for auxiliary diagnosis and health risk assessment solutions. Our AI-FUNDUSCAMERA-P is a portable, automatic and self-service fundus camera, for which it received a Class II medical device registration certificate in March 2021. Our AI-FUNDUSCAMERA-D, which is currently in the research and development stage, is a fully automatic and fully self-service desktop fundus camera with comparable image quality but significantly lower costs than traditional high-end desktop fundus cameras. Our AI-FUNDUSCAMERA-M is a multimodal health scanner integrated with more biosensors that enable it not only to capture retinal images but also other physiological data, such as electrocardiograms, blood oxygen and blood pressure. This product is currently in the research and development stage.

Environmental, Social and Governance Report

Strong R&D Capabilities

The Company has been R&D-driven since inception. We believe our profound knowledge in medical AI deep learning algorithms, unparalleled scale of retinal image database and mature AI engineering infrastructure are the backbone of our success.

- **Powerful AI deep learning algorithms.** The Company's research and development goal for algorithms is to apply our understanding of diseases and lesions to develop powerful AI deep learning algorithms that can accurately detect and diagnose a wide range of chronic diseases. The Company has focused on expanding the breadth and depth of our algorithms, with a forward view towards future industry trends and needs;
 - o To optimize our AI deep learning algorithms, we have developed a broad range of algorithms for disease classification, lesion detection, lesion segmentation and health risk assessment, which work together to deliver highly accurate analysis results. The Company has developed more than 80 AI deep learning algorithms serving real-world customers, which are supported by a robust IP portfolio;
 - o With the aim to remain in the vanguard of algorithm engineering and deep learning technologies in the medical AI field, we are developing more advanced or new algorithms, such as network architecture search, generative adversarial networks, domain adaptation, model generalization, multi-task learning, unsupervised learning and online learning, which enables us to further optimize the deep learning algorithms;
 - o In addition, we are developing highly valuable novel algorithms and models for new applications, such as long-term health risk assessment algorithms, time sequence medical image registration and analysis system and clinical and economic data-based medical AI model performance evaluation engines, which we believe will significantly benefit patients with chronic diseases in the future.
- **Robust retinal image database.** The Company has developed a robust databases of retinal images through research collaboration and serving a wide range of customers across China. Our database includes real-world user retinal images with their corresponding multimodal data, cross-labeled by hundreds of medical experts, enabling the Company to perform more in-depth medical AI research and development and to build and enhance our AI deep learning algorithms;
- **Highly efficient and mature AI engineering infrastructure.** The Company has established a highly secure and efficient private data lake system to store large and varied data sets, a big data analytic system to gain insight into the data and a data syncing system to reliably and efficiently sync data from different sources to the data lake system. We also have a powerful AI algorithm training system, which uses deep learning training frameworks to develop deep learning algorithms and train deep learning models using a massive amount of data. The deep learning model is built upon what deep learning algorithms have learned from the data. The deep learning model is later used in its online inference system to analyze medical images. Our training system was built to support five different machine learning frameworks and six programming languages to facilitate the development of our AI algorithms and address various pain points in algorithm optimization. Due to the complexity of analysing a wide range of diseases and lesions, we have also developed a highly efficient and comprehensive online deep learning inference system to support synchronistic computing across over 300 deep learning model instances, optimize the use of data and computation resources and streamline our deep learning model optimization, protection, deployment, management and monitoring.

Environmental, Social and Governance Report

Integrated Software and Hardware Solutions

The Company is one of the few in the industry that have in-house developed image analysis technology as well as image capture technology, which enables us to offer highly integrated and end-to-end optimized solutions that seamlessly combine software and hardware with better user experience and higher accuracy. The Company has three in-house developed proprietary and fully automated fundus cameras that are easy to use and easy to manage. The Company's hardware devices significantly lower the barriers for physicians to offer eye screening and are applicable in multiple medical and consumer healthcare environments. Our hardware devices are powered by on-device AI technologies such as speech recognition, speech synthesis and computer vision and can successfully address pain points of existing fundus cameras on the market at a fraction of the cost, making our products more affordable to various healthcare environments.

By offering software and hardware as a bundle, the Company provides integrated healthcare solutions that improve user experience, and allow seamless end-to-end performance and a cost-effective option. Our integrated solutions also enable us to optimize our portfolio from data collection, data transmission, data analysis and result reporting to realize its full potential. For example, we are able to control many imaging parameters in the hardware to ensure that the image is ideal to be processed and analyzed by our AI deep learning algorithms.

AI Algorithms

AI technology features high speed, cost-efficiency, accuracy and scalability, which can solve issues of imbalanced allocation of medical resources and shortage of experienced physicians. The Company is one of the first to provide AI-empowered retina-based early detection, diagnosis and health risk assessment solutions in China. With retinal imaging, multimodal data analyses and AI deep learning algorithms, the Company's solutions differ from the traditional early detection and diagnosis of chronic diseases, enabling a non-invasive, accurate, fast, effective and scalable detection and diagnosis of chronic diseases for whole population in both medical institutions and consumer healthcare environments.

Deep learning is a type of algorithms developed to perform intelligent tasks, in our case, the early detection and diagnosis of chronic diseases, by mimicking the neuronal connections of the human brain. Humans rely on their nervous system to learn from experience, perceive their surroundings, and react appropriately. The nervous system consists of interconnected neurons among other supporting cells. Neurons are the basic unit of the nervous system and generate electrical signals called action potentials, which allow them to quickly transmit information throughout the brain. When a neuron receives incoming signal, it processes it to determine whether or not to pass it along. The human brain consists of 60 to 80 billion neurons, which work together to process complex sensory input to generate intelligent responses.

The development of deep learning algorithms involves two major phases: design and training. Design is to build the architecture of the computation network, including the number of layers, number of nodes in the layers and connectivity among nodes. However, designing the architecture does not determine the internal parameters of the computation network, such as how much the algorithm amplifies, suppresses or mixes a signal in the network. Training is where we decide the values of those parameters by learning from human-labeled training data.

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In training, training data such as retinal images are first labeled as different classes, such as being healthy or having diabetic retinopathy, by human experts as ground truth labels. Next, the computation network runs a forward pass through the data, predicting labels for the training data. Such predictions are then compared against the ground-truth labels in the data, and an error signal is generated through a loss function. This error is then propagated back through the network, and parameters are adjusted using a chosen optimization algorithm in order to reduce the same error in the future. This training process must be repeated many times until a good or good enough set of parameters is discovered. After training, the parameters are fixed and the computation network with fixed parameter values becomes the final deep learning model, which would be used in deep learning inference.

Deep learning inference is where a trained deep learning model is used to process input data such as retinal image, compute via the computation network, and make a prediction and decision such as whether the input image shows diabetic retinopathy. Unlike training, the inference stage does not include back-propagation and parameter-tuning. In this stage, the deep learning model is deployed to make predictions or decisions on real-world data. The trained deep learning model will deduce a conclusion from the input data using the computation network.

Applications of deep learning in retinal image analysis include disease classification, lesion detection, lesion segmentation and health risk assessment. Considering the complexity of the problems, the Company has developed over 80 deep learning algorithms to cover a comprehensive range of diseases, lesions and health risks. The training process involves feeding algorithms the retinal images labeled by medical experts, computing the predicted result using its computation network, comparing the predicted results with human labels and adjusting the parameters to minimise prediction errors. After being exposed to numerous labeled retinal images, the algorithm generalises and learns to predict certain chronic diseases accurately using a computation network which represents the mathematical relationships between input data and predicted results.

Intellectual Property Management

In accordance with the Patent Law of the PRC, the Trademark Law of the PRC and the Copyright Law of the PRC, the Company continuously strengthens the awareness of independent intellectual property rights, and clarifies the standards and procedures for the creation, application, management and protection of intellectual property rights. In order to strengthen and standardize the overall management of intellectual property rights and elevate the important status and role of intellectual property rights in the course of development, the Company has formulated the Intellectual Property Management Measures (trial) in accordance with China's laws and regulations on intellectual property rights as well as the actual situation of the Company. The intellectual property department was specially set up to comprehensively manage the intellectual property work. All departments shall timely communicate with the intellectual property department or report or give feedback to the person in charge of the department for any intellectual property matters or problems involved in practical work, and cooperate with the department to take active measures to deal with or solve them. Terms of reference of the department are as follows:

- Responsible for periodically collecting the intellectual property needs of all departments, formulating the Company's intellectual property strategy, relevant regulations and work plans on intellectual property management according to the needs of all departments and the development strategy of the Company, and promoting the implementation;
- Responsible for organizing intellectual property training for R&D staff, marketing staff and others, and raising their intellectual property awareness;

Environmental, Social and Governance Report

- Responsible for intellectual property mining and planning, aiming to enhance the competitiveness of the Company with high-quality intellectual property rights;
- Responsible for screening high-quality and efficient intellectual property agencies, signing contracts and establishing business contacts with them, and regularly assessing their services;
- Responsible for the establishment of an intellectual property management system and the scientific and information-based management of the Company's intellectual property;
- Responsible for collecting and understanding the latest information on national intellectual property legislation and policies, monitoring the intellectual property trends of industries at home and abroad, and the intellectual property situation of markets and competitors at home and abroad, and periodically providing the latest information to provide reference for the Company's development decisions;
- Assisting the legal department in handling intellectual property-related work in daily legal affairs;
- Assisting the legal department in monitoring other companies' suspected infringement of the Company's intellectual property rights, and taking appropriate measures to safeguard our intellectual property rights in a timely manner.

The Company advocates, encourages and insists on independent innovation, while encouraging employees to create patents, trademarks and computer software according to business needs as well as to declare them in time. In order to encourage inventions and improve employees' enthusiasm for technological innovation, the Company will reward employees who have made substantial contributions to service inventions (including inventions, utility models and designs) after filing patent applications for the service inventions.

As of December 31, 2021, the Company owned 190 patents and patent applications, including 37 issued patents and 153 patent applications in China, and eight PCT applications, of which 22 patents and patent applications and 2 PCT applications are related to our Core Product. We also owned 50 issued software copyrights. In 2021, there were 74 new patents and patent applications, 25 new authorized patents and 3 new PCT applications.

In terms of intellectual property protection, the Company conducted intellectual property training for R&D staff, mainly introducing the types of intellectual property rights, the importance and significance of intellectual property protection to the development of the Company, the importance of R&D staff in intellectual property protection, and how R&D staff can participate in intellectual property protection. Moreover, the Company discussed the product R&D progress with R&D teams from time to time, and mined intellectual property rights. Intellectual property training sessions were also held for registration staff to introduce the types of intellectual property rights, the application cycle, as well as the importance and significance of intellectual property protection to the development of the Company. The Company has entered into confidentiality, non-compete and intellectual property ownership agreements with our employees. The contracts with our key personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for two years after the termination of his or her employment. Pursuant to the intellectual property ownership agreements, any intellectual property conceived and developed during their employment belongs to the Company and they waive all relevant rights or claims to such intellectual property.

Environmental, Social and Governance Report

RESPONSIBLE OPERATIONS

Information Security and Privacy Protection

Great importance has been attached to information security management. The Company has formulated and implemented nearly 40 policies and systems to ensure information security management, such as General Outline of Information Security Management System, Management Measures for Security Risk Assessment, Data Backup Management System, and Inspection and Assessment Management System.

We collect and obtain consent from individuals directly or through our business partners for using individuals' personal information, mainly their retinal images, during our provision of AI-based solutions. We have entered into agreements with our business partners, which include terms that such business partners should be responsible for obtaining consent from individuals for the collection, utilization and storage of their retinal images. We do not own the data collected from individuals directly or through our business partners but enjoy certain utilization rights in relation to such data such as using and analyzing such data for algorithm development, which are protected by the relevant PRC laws and regulations. Regarding the individuals' personal information we collected:

- We had obtained consent before collecting individuals' personal information;
- We used such individuals' personal information consistently with the consents obtained;
- We have adopted various measures to protect such data from misusing, leaking and attacking.

We have adopted various measures to ensure our compliance with the applicable data privacy and protection laws and regulations in the PRC. We have established strict data protection policies to ensure that the collection, use, storage, transmission and dissemination of data are in compliance with applicable laws and prevalent industry practice. All of the retinal images in our database are without life cycles and will not be deleted. Except for that, we also have retinal images stored in another temporary data storage system that are carried with a life cycle set by our business partners which generally ranges from one day to one year and will be deleted in due course upon our business partners' requests. For these retinal images that have been set with a life cycle by our business partners, we are able to conduct further research and development work through online learning. In online learning, we can leverage data with life cycle to improve our algorithm. Such deleted data will not be used and cannot be used in our training of algorithms going forward since they have been completely deleted from our system. However, such life cycle management did not and will not have a material impact on our training of algorithms as we already have a large, comprehensive, and high-quality retinal image database which includes real-world user retinal images with their corresponding multimodal data. To achieve our goals towards data protection, we adopt advanced technologies which ensure the implementation of data protection policies. We have developed systems and a data safe house structure in accordance with the relevant data protection laws and regulations to ensure the data are well protected and can only be used under the restricted circumstances as set out in our internal policies. We also enter into confidentiality agreements or clauses with our employees or third-party business partners to protect data privacy.

The Company also pays close attention to the legislative and regulatory developments in data security, and conducts training and formulates compliance programs based on the latest legislation and law enforcement cases, so as to keep abreast of and meet the latest regulatory requirements.

Environmental, Social and Governance Report

In the future, the Company will carry out the following work to ensure information security:

- A security engineer will be assigned to check internal security risks of the Company and to address them immediately once they are found.
- Monthly security review meetings will be held to inspect and analyze data security risks. If any risks are found, we will establish tasks to address them as soon as possible.
- Continuous efforts will be made to conduct penetration tests and third-party security reviews on a quarterly, half-year and one-year basis to fully guarantee the operation and maintenance security of the Company.
- We pay close attention to the legislative and regulatory developments in data security, and conduct training and formulate compliance programs based on the latest legislation and law enforcement cases, so as to keep abreast of and meet the latest regulatory requirements.

Customer Service Management

The Company has established a market-and customer-oriented management system, and has continuously perfected relevant mechanisms and various business operation procedures according to business developments and changes in internal and external environments, striving to improve service quality, increase customer satisfaction, and build long-term friendly relationships with customers.

After-sales Services

The Company provides after-sales services including customer service and technical support, in order to ensure and monitor the correct use of early detection, diagnosis and health risk assessment solutions. Customers can file complaints and get support through the customer service hotline. The Company received no significant customer complaints in 2021. With the aim to ensure the quality of after-sales services and user experience, we provide training sessions to customers and solution implementers through sales and marketing staff, who follow up the implementation after provision of solutions, gather feedback on solutions and provide after-sales support. Before providing after-sales services, sales and marketing staff are required to pass 39 internal exams, including those about product usage procedures and technical support. Upon launching new products, the Company will conduct extensive training for sales and marketing staff to ensure that they can provide high-quality after-sales services. The sales and marketing staff responsible for providing training and operational support on the use of SaMDs to customers and solution implementers have an average of more than ten years of working experience and rich industry know-how. Teaching materials and a 24-hour service hotline are available to support customers, implementers and end users of solutions.

Product Warranty, Return and Exchanges

For our in-house developed hardware devices, the Company generally provides a one-year warranty period from the delivery of our products, during which we will provide free repair services except for repairs for man-made damages or damages resulting from force majeure events. In general, the Company does not allow the return or exchange of its products. We had not experienced any material product return from customers. In 2021, there were no violations of laws and regulations on product quality or incidents that had a significant impact on the Company.

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Product Quality Assurance

In terms of product and service quality, the Company strictly complies with the Product Quality Law of the PRC to ensure that products meet the requirements for quality. In the meantime, 19 quality management systems, including the Management System for Quality Documents, Management System for Relevant Departments, Organizations and Staff, Management System for Procurement and Acceptance, Management System for the First-purchased Product Qualification Review, and Management Regulations for Storage, Warehousing and Transportation of Medical Devices, Regulations on Quality Management of Medical Devices, Management System for Sales and After-sales Service, Management System for Substandard Products, Management System for Return and Exchanges of Medical Devices, Management System for Recalls of Medical Devices, Management Regulations on Verification and Calibration of Facilities and Equipment, Management System for Hygiene of Medical Devices and Health Status of Contact Persons, Quality Management Training and Assessment Regulations, Quality Accident and Complaint Handling Management System, have been established to satisfy customer needs and improve customer satisfaction.

The Company has established quality management systems that are effectively operational in accordance with the Measures for the Supervision and Administration of Medical Device Production and the Good Manufacturing Practice for Medical Devices which was published by the China Food and Drug Administration on December 29, 2014 and took effect on March 1, 2015. The systems include: we regularly conduct a comprehensive self-inspection on the operation of the quality management systems, and submits an annual self-inspection report to the food and drug regulatory authorities of the people's government of a province, an autonomous region, a municipality or a city divided into districts before the end of each year; we have established the procurement control procedures and supplier audit system that evaluates suppliers, in order to ensure that purchased products meet statutory requirements; and we record the procurement, production and inspection of raw materials, and the records shall be true, accurate, complete and traceable. We strictly implement the relevant management standards and formulate and implement our relevant internal management measures.

The Company has established its own quality control system and devotes significant attention to quality control. We have set a strict and comprehensive quality control manual in accordance with ISO 9001:2015 standards, ISO 13485:2016 standards, the NMPA's regulations and other applicable regulations and standards on the quality management systems of medical devices, covering design, research and development, purchasing, manufacturing and transportation of our products and product candidates. The Company's management team is actively involved in setting quality control policies and managing its internal and external quality performance. We engage OEM service providers to manufacture our in-house developed fundus camera, AI-FUNDUSCAMERA-P. Our quality management staff are responsible for monitoring and assessing the quality before we accept these fundus cameras.

Sustainable Supply Chain

Sincere cooperation with suppliers is an important guarantee for the Company to achieve its strategies, and also an inexhaustible driving force for its development. With emphasis on the communication with suppliers, we actively build a cooperation platform and strive to establish long-term, close, mutually beneficial and win-win partnerships with suppliers. We work together to provide customers with high-quality products and services, and promote the sustainable and stable development of the industry. The Company's major suppliers include optical parts suppliers, electronic parts suppliers, mechanical structural parts suppliers and packaging accessories suppliers.

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Our supplier selection mechanism (covering all suppliers), the bidding system and process are divided into the following two points:

- Firstly, according to the materials supplied, the suppliers are classified into three categories: A (strategic suppliers), B (important suppliers) and C (ordinary suppliers). The selection requirements for class A and B suppliers are relatively strict. Sampling and verification will be conducted after a technical team confirms the qualification document collection, site review, staffing, upstream and downstream data chains of suppliers. Suppliers verified will be officially introduced after being approved as qualified suppliers and added to the list of qualified suppliers.
- Site review involves an inspection on the working environment of suppliers' employees. Staffing is about an inspection on labour contracts, and child labour is strictly prohibited. Suppliers that obtain environmental system certification (such as ISO 14001) will get bonus points in supplier audits.

Furthermore, we will conduct a third-party review on a supplier's delivery quality, price and service quality in the current year, and issue an annual review report to evaluate the supplier, which will affect the allocation of cooperation shares in the next year. The Company strictly inspects and supervises suppliers during their performance. We will inspect suppliers' social responsibility and environmental protection aspects in the bidding and follow-up evaluation. Specifically,

- Suppliers using child labour will be ordered to make rectification, with point deduction in annual evaluation. Suppliers with low scores will be eliminated.
- Suppliers that obtain environmental system certification (such as ISO 14001) will get bonus points in supplier audits.

Number of suppliers by geographical region

Region	Unit	Total in 2021
Northern China (Beijing, Tianjin, Shanxi, Hebei and Inner Mongolia Autonomous Region)	Number	5
Northeastern China (Heilongjiang, Jilin and Liaoning)	Number	1
Eastern China (Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong)	Number	3
Southern China (Guangdong, Guangxi Zhuang Autonomous Region and Hainan)	Number	16
Total	Number	25

In the future, the Company will strictly audit suppliers, never accept suppliers that use child labour and cause environmental pollution, and encourage suppliers to recommend eco-friendly products according to its needs, such as low-power chips, degradable materials and reusable materials. In terms of supplier management in the future, the Company will strengthen standardization and timeliness, and prefer to cooperate with well-known manufacturers considering its social responsibilities.

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Integrity and Compliance Operations

Anti-corruption is not only an important part of corporate management, but also a necessary procedure of a self-restraint mechanism. Strengthening the anti-corruption efforts is an internal requirement of promoting corporate development, and a necessary choice to standardize corporate operations and management activities.

In 2021, the Company earnestly carried out anti-corruption work and strictly complied with relevant laws and regulations, including the Criminal Law of the PRC and the Anti-unfair Competition Law of the PRC. In order to prevent corruption, bribery, extortion, fraud, money laundering and other incidents, the Company has been continuously improved the internal anti-corruption supervision mechanism and intensified the integrity publicity and education on employees, so as to enhance employees' vigilance against corrupt behaviour, and create a good atmosphere of obedience to laws and regulations, integrity, self-discipline, honesty and trustworthiness. We strictly comply with rules, including Airdoc's Basic Principles against Corruption and Anti-fraud Management Measures. The purposes of our principles are as follows:

- The Company abides by professional ethics in conducting business activities, and promises not to obtain or maintain any business by bribery, nor to provide help or support to any corrupt behaviour;
- The Company establishes principles to guide and regulate all business activities of its employees and third parties representing the Company, so as to ensure that our business activities comply with national anti-corruption laws and regulations and resolutely resist all forms of corruption.
- The Company hopes that all employees and third parties representing the Company abide by relevant laws and regulations, as well as its relevant principles, rules and norms, in order to protect employees and third parties from potential illegal liabilities or penalties. Employees who violate the above laws and company rules will be subject to disciplinary action or even dismissal, as well as corresponding administrative or criminal penalties.

For the improvement of the Company's anti-fraud mechanism, the board of directors is the highest leading body of its anti-fraud work, and the chairman of the Board is the direct leader of the investigation and handling of fraud cases. The Board has the responsibility to urge the management to build an anti-fraud culture and establish and perfect the internal control system for fraud prevention. The internal audit department of the Company is a permanent body for anti-fraud work, responsible for organizing and implementing anti-fraud work within the Company and across departments. The Company accepts and registers fraud reports, organizes investigations into fraud cases, offers investigation reports and handling suggestions, and regularly prepares Anti-Fraud Monitoring Briefings based on investigation results, and reports to management. The managers of each department are responsible for the daily anti-fraud work in their jurisdiction, have responsibility to establish and effectively implement the control procedures to prevent fraud, and assume management responsibility for the fraudulent behaviour of their direct subordinates.

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The Company has set up a special email address for complaints, jubao@airdoc.com, for employees and all social parties that have direct or indirect economic relations with the Company to report violations of professional ethics by the Company and its employees, or to disclose or expose actual or suspected fraud. Our internal audit department strictly keeps confidential the information of whistleblowers. At the same time, the Company requires employees and third parties representing the Company to attend compliance training and assessment.

In 2021, there were neither significant risks associated with corruption nor confirmed cases of corruption or public legal proceedings against the Company and its employees in relation to corruption. In the future, the Company will continuously attach importance to anti-corruption work, strengthen the supervision of anti-corruption watchdog, expand the scope of external supervision, improve the internal audit system, and provide guarantee for our healthy development. The Company has also established internal policies which require all employees to comply with all applicable anti-bribery and anti-kickback laws and regulations. Under its agreements with external business partners, the Company's business partners are also required to comply with all applicable laws and regulations, such as anti-bribery and anti-kickback laws and regulations.

Giving back to Community

As a responsible social enterprise, the Company actively participates in community public welfare undertakings, earnestly fulfills our social responsibilities, repays the society with responsibilities and public welfare, establishes a good corporate image, sublimates corporate culture, and enhances employees' sense of honour. We mainly participate in social welfare activities in the form of cooperation with institutions or governments, publicize and popularize relevant healthcare knowledge, and provide services regarding eye health, screening of diabetes and health risk assessment for various chronic diseases. This has become an unwritten convention for the Company, and there will be operational staff assigned to organize and participate in such activities. In order to solve the current imbalance of medical resources and reduce missed diagnosis and misdiagnosis, the Company gives priority to remote and undeveloped areas when participating in public welfare activities, and tends to bring better healthcare services to the elderly, children and working class, and helps patients advance from disease treatment to health management. Details of specific projects are as follows:

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Shanghai medical aid cloud clinic for Bachu, Xinjiang

The Company empowered the first Shanghai medical aid cloud clinic for Xinjiang. As of August 2021, we served over 3,000 people in Bachu County, Xinjiang. Local residents in Xinjiang had access to remote diagnosis services via the Company's AI-empowered retina-based auxiliary diagnosis system, which enabled them to see a medical expert in top-class hospitals in Shanghai without leaving home. The launch of the cloud clinic has effectively reduced the medical treatment cost of residents and improved their sense of gain and happiness. With the penetration of medical artificial intelligence into the lower-tier regions, every ordinary person is expected to enjoy convenient access to quality healthcare services in the future.



A local doctor took fundus images and conducted remote diagnosis for a resident at a telehealth clinic in Guolemali Village, Anakule Township, Bachu County, Kashgar Prefecture, Xinjiang in August 2021

Bachu County is located in the southwest of Xinjiang. Due to climate, diet and other reasons, the incidence of hypertension and diabetes among residents has always been higher than the national average, which has become an important factor causing or exacerbating the occurrence and development of fundus diseases. Moreover, due to the scarcity of local ophthalmologists and weak eye health awareness among residents, the incidence of fundus lesions remains high. Blindness and poverty due to fundus diseases often occur. A villager made an appointment for remote medical service in the cloud clinic through the village doctor who examined the villager using Airdoc's AI-empowered retina-based auxiliary diagnosis system provided by Jing'an Shabei Hospital in Shanghai. The results showed abnormalities similar to retinal vein occlusion and retinal arteriosclerosis. Retinal vein occlusion could lead to blindness if not treated in time. A medical expert of Jing'an Shabei Hospital immediately conducted professional diagnosis and treatment online, and provided a diagnosis and treatment plan. Medical AI has brought new opportunities to primary-level medical care and has begun to achieve remarkable results. Primary-level medical care can better reflect the profound value of medical AI. In the future, the Company's AI-empowered retina-based auxiliary diagnosis system will continue to extend the technical capabilities of top medical institutions to all areas of the country, providing real-time auxiliary analysis for primary-level medical institutions, promoting quality medical services in lower-tier regions, and helping people with serious illness seek medical treatment without leaving the counties they live in. This will benefit more doctors and patients.

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Health condition screening in Xiamen

On August 2, 2021, the Company cooperated with the local government of Xiang'an District in Xiamen to conduct screening for diabetic retinopathy and related health risks for the registered residents aged over 60 who were getting vaccinated against COVID-19 in the district. While those residents were taking COVID-19 vaccine shots, the Company conducted AI-based health condition screening for them on the site, which allows an early screening, early detection, early diagnosis and potentially early treatment of diabetic retinopathy. This is of great significance to reduce individual medical insurance costs and overall health expenditure. Meanwhile, the health screening data can be used to explore and establish a chronic disease-related medical big data evaluation model in eastern Xiamen, which has the potential to provide an important reference for the government to formulate health policies and conduct disease prevention and control.

From August 3, 2021 to November 23, 2021, a total of 21,614 people, including 15,879 people aged 60 and over, were screened. During the screening, more than 100 people were found with diabetic retinopathy, macular hole, vein occlusion, AMD, glaucoma or other severe health risks and needed immediate medical treatment. Among them, the youngest was only 32 years old. It is also found that more than 4,000 people were at a high health risk, which enabled them to learn their health condition in time and gained time for them to actively intervene and seek medical treatment as soon as possible.



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Eye health screening in elementary and middle schools in Dongcheng District, Beijing

On November 9, 2021, the Company forged a strategic partnership with Tencent HealthCare and the local government of Dongcheng District in Beijing, pursuant to which they used the Company's AI-based retinal imaging algorithms and technology to build a systematic and sustainable intelligent eye health management platform for elementary and middle school students. The platform is used to conduct eye health management and continuous monitoring for these students in the district.



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Health condition screening in Qingdao

The labour union of Qingdao National Hi-tech Industrial Development Zone in Shandong held an event about AI-based retinal screening for chronic diseases at Pioneering Mansion on December 22–24, 2021. It is a well-being project supported by the Science and Technology Bureau of Qingdao, guided by Qingdao Eye Hospital and technically supported by Haiyin Longjian and Airdoc. We hope to achieve the precise prevention and control of basic chronic diseases and explore new urban health management models through the innovative application of AI technology in the medical field.

On December 28, 2021, another event of AI-based retinal screening for chronic diseases, also supported by the Science and Technology Bureau of Qingdao, guided by Qingdao Eye Hospital and technically supported by Haiyin Longjian and Airdoc, was held at the hall of the Neighbors' Club on No. 12 Haikou Road. Citizens aged over 40 can participate in the event free of charge with their ID card.

Eyes Care Action in Qinghai

Eyes Care Action was jointly launched by CMG Story Radio's HiYoung Live Show, China Youth Development Foundation, Beijing Children's Hospital Group, Beijing Children's Health Foundation, ICBC e-Buy mall, Communist Youth League Committee of ICBC and Hoson Foundation in 2015, aiming to focus on the vision protection of children at high-altitude regions. The purpose of Eyes Care Action is to raise the public's attention to children's vision protection through eye care knowledge popularization, voluntary diagnosis and medical assistance, so that Chinese children gradually develop a good habit of eye health, and solve the problem of children's vision from the root.

The seventh season of Eyes Care Action themed on "See Charity, See and Hear Clearly" was held in Qinghai on July 3–7, 2021. The activity aims to benefit more children on the plateau in Qinghai and enable them to experience eye care. A vision and hearing screening was conducted for about 20,000 pupils in Chengzhong District and Huangzhong District of Xining in the five-day activity.



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Supporting “National Science Popularization Day — Technology Ignites Dreams”

The open day for technology enterprises themed on “National Science Popularization Day — Technology Ignites Dreams” officially kicked off at the 2020–2021 wrap-up session for the Youth Technology Literacy Promotion Program on October 13, 2021. The event was guided by the Science Popularization Department of the China Association for Science and Technology and the Bureau of Science Communication of the Chinese Academy of Sciences, hosted by China Next Generation Education Foundation and Ping An Charity Fund, and undertaken by Ping An Annuity and technology enterprises like Airdoc.



Release of Blue Paper on the Health of Two Million Chinese Medical Examination Population

iKang collaborated with Health.people.cn and Airdoc to release the Retinal AI Based Blue Paper on the Health of Two Million Chinese Medical Examination Population on October 27, 2021.



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Guests discussed the application and prospect of AI in the field of ophthalmology, and the significance of AI technology for chronic disease risk monitoring and management at the press conference. The guests include WEI Wenbin, vice president of Beijing Tongren Hospital, CMU, ZENG Qiang, former chair of the Chinese Health Management Association and vice chairman of the Chinese Health Association, HU Hongliang, director of Joint Laboratory of Big Data on Ophthalmology under the National Engineering Center of Science and Technology Information and head of Scientific and Technical Documentation Press, ZHANG Ligang, founder, chairman and CEO of iKang Healthcare Group, as well as ZHANG Dalei, founder of Airdoc. With the use of big data and AI technology, Airdoc and other organizations facilitated chronic disease risk management and health intervention for millions of population.

The Company and iKang have released such retinal AI-based blue paper on fundus health risk assessment for three straight years since 2019. The report is instructive for national health management.

The charity activities that the Company participated in are mainly for the elderly and children, people in remote areas and the working class. The Company provided services to the best of its ability for the health condition assessing activities that feature strong sustainability. We are leveraging the AI-based retinal imaging technology to offer fast, non-invasive, safe and accurate detection services with great accessibility and inclusiveness.

Based on retinal imaging and AI technology, the Company's AI products that provide early detection, diagnosis and health risk assessment of chronic diseases have been widely applied in medical institutions and consumer healthcare environments, including hospitals, community clinics, health checkup centers, optometry centers, insurance companies and pharmacies. Airdoc detected approximately 4.9 million cases via its solutions in 2021 and identified over 35,000 positive cases with severe or urgent health problems.

The mission of the Company is to make high-quality healthcare accessible and affordable to everyone. We are committed to our mission and will continuously adhere to inclusiveness, professionalism and long-term dedication to bring the best quality healthcare services to every ordinary person. The Company will make steady improvements in social charity and further establish a fixed mechanism. Airdoc will establish an internal social charity body with senior executives taking turns as the leader, mobilizing more employees to participate in charity activities and spending more time in providing more frequent AI-based detection services to cover more people in more scenarios. The Company's goal is to continuously provide health monitoring services via observing retinal blood vessels and nerves to 1/3 of the world's population every day, and truly make high-quality healthcare accessible and affordable to everyone.

TALENT TRAINING AND DEVELOPMENT

Safeguarding the Rights and Interests of Employees

The Company strictly complies with relevant laws and regulations, including the Labour Law of the PRC, the Labour Contract Law of the PRC, the Social Insurance Law of the PRC, the Individual Income Tax Law of the PRC, the Law on the Protection of Women's Rights and Interests of the PRC, the Regulations on Labour Protection for Female Workers and Employees, the Regulation on Public Holidays for National Annual Festivals and Memorial Days, as well as the Regulation on Labour Security Supervision.

We recruit employees mainly through recruitment websites and internal recommendations. All employees of the Company are in China. In accordance with the Labour Law of the PRC, the Company signs individual employment contracts with employees, which stipulate salary, employee benefits, workplace safety, confidentiality obligations, non-competition, reasons for termination, etc.

In 2021, the Company had no labour disputes due to violations of laws and regulations, used no child labour or forced labour, and was found with no violations and arrears in social insurance contributions.

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The Company's employee composition in 2021

Employee category	Number of employees in 2021	Percentage of total employees
Total employees	369	100.0%
By gender		
Male	241	65.3%
Female	128	34.7%
By employment type		
Full-time	335	90.8%
Part-time	34	9.2%
By age group		
Under 30 years old	115	31.2%
30–50 years old	245	66.4%
Over 50 years old	9	2.4%
By geographical region		
Northern China (Beijing, Tianjin, Shanxi, Hebei and Inner Mongolia Autonomous Region)	217	58.8%
Northeastern China (Heilongjiang, Jilin and Liaoning)	7	1.9%
Northwestern China (Shaanxi, Gansu, Qinghai, Ningxia Hui Autonomous Region and Xinjiang Uygur Autonomous Region)	4	1.1%
Eastern China (Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong)	76	20.6%
Central China (Henan, Hubei and Hunan)	12	3.3%
Southern China (Guangdong, Guangxi Zhuang Autonomous Region and Hainan)	30	8.1%
Southwestern China (Sichuan, Guizhou, Yunnan, Chongqing and Tibet Autonomous Region)	23	6.2%

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The Company's employee turnover

Employee turnover	Number of employees leaving in 2021	Percentage
Total number of employees leaving	46	12.5%
By gender		
Male	34	14.1%
Female	12	9.4%
By age group		
Under 30 years old	10	8.7%
30–50 years old	34	13.9%
Over 50 years old	2	22.2%
By geographical region		
Northern China (Beijing, Tianjin, Shanxi, Hebei and Inner Mongolia Autonomous Region)	33	15.2%
Northeastern China (Heilongjiang, Jilin and Liaoning)	0	0
Northwestern China (Shaanxi, Gansu, Qinghai, Ningxia Hui Autonomous Region and Xinjiang Uygur Autonomous Region)	1	25.0%
Eastern China (Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong)	7	9.2%
Central China (Henan, Hubei and Hunan)	2	16.7%
Southern China (Guangdong, Guangxi Zhuang Autonomous Region and Hainan)	0	0
Southwestern China (Sichuan, Guizhou, Yunnan, Chongqing and Tibet Autonomous Region)	3	13.0%

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Employee Care and Welfare

In order to enhance the sense of belonging of employees, the Company carried out a series of employee care activities to provide employees with a platform for self-presentation and communication to meet their spiritual needs and enhance their happiness. We held basketball and badminton games for employees in 2021.



Our employees competed in a badminton game

Employee Health and Safety

Modern enterprises put forward the core concept of “people orientation”, which is embodied in the attention to the safety and health of employees. A safe and comfortable working environment not only helps improve the working efficiency of employees and ensure their physical and mental health, but also promotes standardized management of enterprises, enhances brand image and improves their comprehensive competitiveness.

The Company strictly complies with relevant laws and regulations including the Production Safety Law of the PRC and Law on Prevention and Treatment of Occupational Diseases of the PRC to eliminate hidden safety hazards in the office environment and public places. More attention was paid to the health and safety of employees amid the COVID-19 pandemic. Efforts were made to scientifically and effectively prevent and control COVID-19, improve prevention, control and response capabilities, and effectively prevent and control the spread of the pandemic in the Company, so as to ensure the health and safety of employees, and maintain normal work order. The Contingency Plan for Pandemic Prevention and Control of Airdoc was laid down according to such relevant laws and regulations as the Law on the Prevention and Treatment of Infectious Diseases of the PRC, the Regulations on Preparedness for and Response to Emergent Public Health Hazards and based on the actual situation of the Company. The plan clearly states the Company’s pandemic prevention and control team and clarifies its responsibilities as follows:

- CEO: responsible for disclosing information under abnormal circumstances, and overseeing the implementation of pandemic prevention work in various departments;

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- HR department: responsible for collecting health status data of all employees on a daily basis, checking abnormal conditions and reporting the results to the heads of various departments, making arrangements about medical treatment for suspected cases, tracking and notifying progress; summarising and giving feedback to daily reports of telecommuters, paying for medical treatment during the pandemic, answering questions about HR policies such as labour relations; helping employees coordinate resources and answering difficult questions;
- Administration department: responsible for disinfecting and maintaining offices and detecting and reporting abnormal conditions; allocating and distributing anti-pandemic supplies; overseeing anti-pandemic measures for incomings and outgoings; taking employee temperature and reporting abnormal information; signing and saving the COVID-19 Prevention and Control Commitment; communicating with property management firms and centers for disease control and prevention;
- IT: responsible for the normal operations of the Company's information equipment, the use and maintenance of employees' office computers and software;
- Professional affairs department: responsible for the publicity and education of COVID-19 prevention and treatment knowledge;
- Heads of primary departments: responsible for monitoring team members' protective measures and reporting abnormalities; holding regular team meetings and driving day-to-day work to be carried out; arranging backup in abnormal conditions; supervising team members' health declaration and submission of daily work-from-home reports;
- The Company also has emergency contacts.

In response to the COVID-19 pandemic, the Company conducted routine monitoring on the pandemic situation. The details are as follows:

- All employees — internal monitoring and protection: all employees are required to have their temperature measured twice a day in the morning and at noon, and conduct self-observation. If employees are suspected or confirmed cases, they need to notify the HR department and their immediate superiors as soon as possible. Employees who do not work in the office are required to fill in a health declaration form every day, while those who are isolated but do not take leave need to submit a daily work-from-home report. Daily protection is specifically described in the Employee Safety Handbook formulated by the Company. All employees need to prepare for office tools and work arrangements in case of emergencies;
- Administration department — workplace monitoring: according to the Office Guide for Pandemic Period of Airdoc, the administration department is responsible for disinfecting office areas, monitoring the anti-pandemic measures for employees entering and leaving offices, and taking, observing, inquiring about and recording the body temperature of all employees in offices in the morning and at noon;
- Department heads — internal monitoring: the head of a department needs to keep a close eye on the health status of employees working in the office and working from home. If there is any abnormality, he is required to inform the HR department for investigation;
- HR department — all employee monitoring: the HR department monitors the health status of all employees, checks abnormalities and publicizes health status to all employees every day. It collects statistics to make work backup arrangements for abnormalities.

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The businesses of the Company do not involve occupational hazards. During the Reporting Period, the Company had no violations due to failure to provide a safe working environment, no work-related deaths, and no lost days due to work-related injuries. There were also no work-related fatalities in 2019 and 2020.

Employee Development and Training

Upholding the concept of “people orientation”, the Company believes that employees with sufficient skills and experience are our most valuable asset. Under the guidance of an open, unified, innovative and shared corporate culture, we continuously improve and deepen talent training, and regard learning as our core competitiveness and an important part of corporate culture. The Company continuously pools internal and external training resources, gradually builds a three-dimensional and multi-level training system covering all employees to meet their career development needs, with a view to enhance the occupational competence of employees to ensure our sustainable and healthy development. Therefore, the Company has set the following management goals in terms of employee training:

- To assist new employees in gaining job competencies through onboarding and commercialization training;
- To help employees improve specific competencies through general competency and leadership training;
- To strengthen team cohesion and cooperation consciousness through team building and all-hands meetings.

Our in-house training is divided into six categories according to different purposes and objects: onboarding, commercialization training, general competency training, leadership training, experiential learning (team building), and all-hands meetings.

The Company requires all new recruits to pass the following four assessments within one month of entry on duty:

- Learning from Understanding Airdoc: Online Learning Task Package for New Employees and passing the exam;
- Learning from Integrating into Airdoc: Offline Training Examination for Employees and passing the exam;
- Passing one-on-one assessment of report interpretation;
- Passing assessment of manual operation of devices.

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The corporate culture workshop in the Company's onboarding is a training program that helps new employees understand the meaning and value of working in the Company based on You Will Never Know, a story imported from real user cases. The founder and senior executives share the mission, vision and values to help new employees systematically understand the founding intention, goals and value orientation of the Company. By reviewing the content and process of the Desert Survival case, the Company combines the values with the decision-making, communication, collaboration and other behaviours in daily work. By inviting staff to perform their self-writing and directing value scenarios at the Theatre of Value, the Company helps new staff to get better involved and engaged into the community and deepen employees' understanding to our value.



The Company trained a total of 340 employees in 2021, with a training coverage rate of 92.1%. The percentage of training hours by gender and rank is show in the table below:

Employee training (from July 1, 2021 to December 31, 2021) ¹	Number of employees trained	Percentage	Average training hours completed per employee (hour)
By gender			
Male	222	92.1%	25
Female	118	92.2%	25
By rank			
Management	41	100.0%	21
Non-management	299	91.2%	26

¹ The data of employee training only covers the period from July 1, 2021 to December 31, 2021. We will strengthen the collection of training data in the coming years.

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GREEN AND SUSTAINABLE DEVELOPMENT

Emission Management

The Company strictly complies with the laws and regulations on the prevention and control of environmental pollution, including the Law on the Prevention and Control of Atmospheric Pollution of the PRC, the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC and the Law on the Prevention and Control of Water Pollution of the PRC. The Company strictly regulates the discharge and disposal of pollutants, with efforts to reduce all kinds of emissions generated in the process of operation and production to reduce the negative impact on the ecological environment. During the Reporting Period, no major environmental pollution and ecological damage events occurred in the Company. As active response to the national targets of peaking carbon emissions by 2030 and achieving carbon neutrality by 2060, the Company promotes reductions in greenhouse gas emissions, mainly carbon dioxide, on climate change. We have taken measures to save energy, improve the ecological environment, optimize emission management and so forth, and made unremitting efforts to achieve the aforesaid targets.

The wastewater generated by the Company is mainly the wastewater from washrooms. The greenhouse gas emissions are mainly indirect greenhouse gas emissions caused by electricity consumption. It generated 78.21 tonnes of CO₂e² of indirect greenhouse gas emissions, with the intensity of 0.21 tonnes of CO₂e/person. The solid waste generated by the company mainly consists of hazardous solid waste (waste ink cartridges, mercury-containing fluorescent lamps or energy-saving lamps, batteries, etc.) and non-hazardous solid waste (harmless decoration waste, waste paper, kitchen waste, etc.). On average, every 5 workstations is equipped with a trash can, and kitchen waste and hazardous waste are dumped into the trash can prepared by the property management firm in the industrial park. Considering the Company is not a manufacturing enterprise, where wastewater and waste discharge are not a material ESG issue to and have a relatively small impact on the Company, no statistics of wastewater and waste discharge were made.

The Company has continuously implemented the concept of energy conservation, consumption reduction, greenness and environmental protection, striving to reduce emissions from the source. Our long-term goal is to promote emission management and environmental protection. We ultimately aim to realize a circular economy and walk onto the pathway to sustainable development.

2 Indirect greenhouse gas emissions are calculated by multiplying the Company's purchased electricity by the corresponding emission factors that come from the Guide for Accounting and Reporting of Greenhouse Gas Emissions for Enterprises (Trial) published by the Ministry of Ecology and Environment.

Environmental, Social and Governance Report

Use of Energy and Resources

It is the bounden responsibility of enterprises to build a resource-saving and environment-friendly society. Saving energy and increasing energy efficiency can reduce operating costs of enterprises and promote the research and development of new technologies. Attaching importance to the economical use of natural resources, the Company strictly complies with relevant laws and regulations, including the Environmental Protection Law of the PRC, the Water Law of the PRC and the Energy Conservation Law of the PRC, striving to achieve coordinated and sustainable development among people, resources and the environment. The Company aims at the common development of economic and environmental benefits. While developing our business, we thoroughly implement the concept of energy conservation and environmental protection, and adopt various measures to continuously pursue clean, efficient and green development.

The energy and resources used by the Company are divided into three types:

- Water in washrooms used and drinking water consumed;
- Electricity consumed in offices;
- Copy paper consumed in offices;

The Company encourages employees to save electricity and water, and notifies them to turn off power before holidays to save energy. The Company's electricity consumption is 128,197 kWh in 2021, with the intensity of 347.42 kWh/person. We not only emphasize the conservation of water resources, but also actively promote the efficient use of water resources. The Company advocates cherishing and saving water resources. We insist on water conservation, raise employees' water conservation awareness, help them develop a good water usage habit and put water conservation signs in washrooms. In 2021, the Company had no issue in sourcing water that is fit for purpose. The Company, which is not a manufacturing enterprise, consumed a small amount of water and packaging materials, and water resource usage and packaging material consumption are not material ESG issues. So, no statistics of water resources and packaging materials used were made. The Company actively implements the concept of green office and advocates the environmental protection idea of energy conservation and carbon reduction. The Company consumed 908.5 kilograms of office paper in 2021.

Our goal in energy and water management is to improve the effective utilization of energy and water resources, and maximise the environmental and economic benefits of energy and water resources on the premise of satisfying business activities.

Environmental, Social and Governance Report

Response to Climate Change

According to the Global Risks Report published by the World Economic Forum, environmental risks remain a top risk in terms of probability and impact of risk in the next decade. Environmental risks are closely related to climate change. In order to cope with the severe challenges brought by climate change, developing a low-carbon economy has become a consensus of the international community. For enterprises, there are both risks and opportunities from climate change. How to incorporate the response to climate change into the business strategy and daily management activities of enterprises is related to whether enterprises can maintain and enhance their competitiveness and survive and develop for a long time in the fierce international market competition.

The Company's operations have no significant impact on the environment and natural resources. We have described our efforts in saving resources and reducing emissions in the preceding two sections.

The Company has taken effective measures to cope with the challenges brought by climate change, and seized the historical opportunity of developing a low-carbon economy, hoping to occupy the strategic commanding heights of future competition, so as to achieve our sustainable development. According to the assessment results of material issues and in light of our business characteristics, the Company pays attention to climate change issues although climate change has little impact on it. In the event of severe weather, the Company encourages employees to work from home to reduce the health and safety risks. We also track and learn climate change issues such as rising sea levels.

APPENDIX

The Stock Exchange's ESG Reporting Guide Content Index

ESG Reporting Guide		Report contents
A. Environmental		
Aspect A1: Emissions		
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emission Management
A1.1	The types of emissions and respective emissions data.	Explained
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Management

Environmental, Social and Governance Report

ESG Reporting Guide		Report contents
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Explained
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Explained
A1.5	Description of emission target(s) set and steps taken to achieve them.	Emission Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emission Management
Aspect A2: Use of Resources		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Energy and Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Energy and Resources
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Explained
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Energy and Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Energy and Resources
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Explained
Aspect A3: The Environment and Natural Resources		
A3	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	Response to Climate Change
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Response to Climate Change

Environmental, Social and Governance Report

ESG Reporting Guide		Report contents
Aspect A4: Climate Change		
A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Response to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Response to Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Safeguarding the Rights and Interests of Employees
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Safeguarding the Rights and Interests of Employees
B1.2	Employee turnover rate by gender, age group and geographical region.	Safeguarding the Rights and Interests of Employees

Environmental, Social and Governance Report

ESG Reporting Guide		Report contents
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employee Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employee Health and Safety
B2.2	Lost days due to work injury.	Employee Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Employee Health and Safety
Aspect B3: Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employee Development and Training
B3.2	The average training hours completed per employee by gender and employee category.	Employee Development and Training
Aspect B4: Labour Standards		
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Safeguarding the Rights and Interests of Employees
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Safeguarding the Rights and Interests of Employees
B4.2	Description of steps taken to eliminate such practices when discovered.	Safeguarding the Rights and Interests of Employees

Environmental, Social and Governance Report

ESG Reporting Guide		Report contents
Operating Practices		
Aspect B5: Supply Chain Management		
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	Sustainable Supply Chain
B5.1	Number of suppliers by geographical region.	Sustainable Supply Chain
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Sustainable Supply Chain
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sustainable Supply Chain
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sustainable Supply Chain
Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Quality Assurance
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality Assurance
B6.2	Number of products and services related complaints received and how they are dealt with.	Product Quality Assurance
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Quality Assurance
B6.4	Description of quality assurance process and recall procedures.	Product Quality Assurance
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Quality Assurance

Environmental, Social and Governance Report

ESG Reporting Guide		Report contents
Aspect B7: Anti-corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity and Compliance Operation
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Integrity and Compliance Operation
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Integrity and Compliance Operation
B7.3	Description of anti-corruption training provided to directors and staff.	Integrity and Compliance Operation
Community		
Aspect B8: Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Giving back to Community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Giving back to Community
B8.2	Resources contributed (e.g. money or time) to the focus area.	Giving back to Community

Report of the Directors

The Board is pleased to present this Report of the Directors together with the consolidated financial statements of the Group for the year ended December 31, 2021.

BOARD OF DIRECTORS

The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

The Directors during the year ended December 2021 and up to the date of this annual report were:

Executive Directors

Mr. ZHANG Dalei (張大磊)
(Chairman and chief executive officer)
Mr. GAO Fei (高斐)
Dr. CHEN Yuzhong (陳羽中)
Mr. CHEN Hailong (陳海龍)

Non-executive Directors

Mr. JIANG Bo (蔣波)
Ms. WANG Mi (王謐)

Independent Non-executive Directors

Mr. NG Kong Ping Albert (吳港平)
Mr. WU Yangfeng (武陽豐)
Mr. HUANG Yanlin (黃彥林)

GENERAL INFORMATION

The Company was incorporated in the PRC with limited liability on September 9, 2015 and converted into a joint stock company with limited liability on December 28, 2020. The Company's H Shares were listed on the Main Board of the Stock Exchange on November 5, 2021 and made an offering of 22,267,200 H Shares at the price of HK\$75.1 per H Share.

PRINCIPAL ACTIVITIES

We are an AI-based medical device company with an advanced platform of AI-empowered retina-based deep learning algorithms. Founded in 2015, we are one of the first to provide AI-empowered retina-based early detection, diagnosis and health risk assessment solutions in China. With the feature of integrated software and hardware solutions, we provide our AI-based SaMDs, health risk assessment solutions and hardware devices to a wide range of healthcare environments, enabling us to commercialize and sell not only to clinical departments in hospitals, but also to other medical and consumer healthcare environments, including health checkup centers, community clinics, insurance companies, optometry centers and pharmacies. Leveraging retinal imaging, multimodal data analyses and AI deep learning algorithms, our solutions differ from the traditional early detection and diagnosis method by adopting a non-invasive, accurate, fast, effective and scalable detection and diagnosis of chronic diseases. Our Airdoc-AIFUNDUS (1.0), an AI-based SaMD approved for the auxiliary diagnosis of diabetic retinopathy in August 2020, was the first of its kind that obtained the Class III medical device certificate from the NMPA. In 2021, we had detected approximately 4.9 million cases via our SaMDs and health risk assessment solutions.

Report of the Directors

There were no significant changes in the nature of the Company's principal activities during the Reporting Period.

BUSINESS REVIEW AND RESULTS

A review of the business of the Group during the Reporting Period is provided in the section headed "Business Review" under "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the Reporting Period is provided in the section headed "Financial Review" under "Management Discussion and Analysis" of this annual report.

The results of the Group for the Reporting Period are set out in the consolidated financial statements on pages 102 to 169 of this annual report.

DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2021.

EVENTS AFTER THE REPORTING PERIOD

No important events affecting the Group occurred after the Reporting Period and up to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The following are parts of the key risks and uncertainties identified by the Group:

Risks relating to commercialization, sales and distribution of our products

- We may not be able to achieve the anticipated revenue of our AI-based early detection, diagnosis and health risk assessment solutions.
- Our financial prospects depend substantially on the success of our product portfolio.
- Our portfolio may not be able to achieve market recognition and acceptance for commercial success.
- We face substantial competition from other AI-based retinal imaging companies and potential competitors.
- The market opportunities for our products may be uncertain, which could render some products ultimately unprofitable even if commercialized, and we may not be able to fully capture the target populations of our products.
- We have relatively limited experience in marketing and sales of our Core Product.
- We rely on a limited number of major customers and there can be no assurance that these major customers will continue their purchases.
- The market opportunities for our AI-empowered retina-based early detection, diagnosis and health risk assessment solutions may be uncertain, which could render some products ultimately unprofitable even if commercialized, and we may not be able to fully capture the target populations of our products.

Report of the Directors

- Fluctuations, in particular, downward changes in pricing of our products may have a material adverse effect on our business and results of operation.
- Our delivery, exchange, return and warranty policies may adversely affect our results of operations.
- Our performance is subject to seasonal fluctuations.

Risks relating to our financial position and prospects

- We have incurred significant net losses since our inception, and may continue to incur net losses for the foreseeable future.
- We had net cash outflow from operating activities and may need to seek additional financing for our future operation.
- We may experience net current liabilities or net liabilities in the future, which could expose us to liquidity risks.
- The discontinuation of any of the preferential tax treatments currently available to us could reduce our profitability.
- If we experience delays in collecting payments from our customers, our cash flows and operations could be adversely affected.
- We are exposed to risks in connection with the wealth management products we purchased.
- We are subject to risks relating to investments in debt instruments and adverse development in the market interest rate, market liquidity, market sentiments or other market and economic conditions may materially and adversely affect our profitability and liquidity.
- We may not be able to fulfill our obligations in respect of contract liabilities, which may have a material and adverse impact on our business, reputation and liquidity position.
- Share-based payment may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

Risks relating to extensive government regulations

- Our business is subject to a variety of laws, rules, policies and other obligations regarding data protection. Any losses or unauthorized access to or releases of confidential information and data could subject us to significant reputational, financial, legal and operational consequences.
- Any adverse change in the regulatory regime in general may limit our ability to provide products and lead to lack of requisite licenses or certificates applicable to our business.
- If we fail to obtain and maintain the requisite licenses and approvals required under the complex regulatory environment applicable to our businesses in China, or if we are required to take compliance actions that are time-consuming or costly, we will not be able to commercialize our products and our business, financial condition and results of operations may be materially and adversely affected.

Report of the Directors

- Our products and any future products will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our products and/or product candidates.

Risks relating to the research and development of our products

- We invest substantial resources in research and development in order to develop our products and enhance our technologies, which we may not be able to do successfully.
- Our self-developed algorithms and methodologies are complex and may contain errors, may not operate properly or may not be superior to our competitors, which could adversely affect our business, financial condition and results of operation.
- If we cannot maintain relationships with our R&D partners, or cannot establish or seek more collaborations and strategic alliances in the future, we may not be able to conduct research and development activities in a timely manner, or at all.
- If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.
- We may not be able to successfully complete product registration testing or clinical trials in a timely manner and at acceptable costs, or at all.
- Potential issues in the adoption of AI technologies in our solutions and hardware devices may result in reputational harm or liability.
- We rely on internal and external medical experts to label data for retinal image analysis, so that we can effectively train our algorithms. Any suspension or termination of such partnership may adversely affect the effectiveness of the development of our algorithms.

Risks relating to our operation

- Our future success depends on our ability to retain our executives, key personnel in our R&D team, marketing team and to attract, retain and motivate qualified personnel.
- We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, the COVID-19 outbreak in PRC and worldwide has adversely affected, and may continue to adversely affect PRC's economy, which in turn may have a material adverse impact on our business, results of operations and financial condition.
- Security breaches, loss of data, and other disruptions could compromise sensitive information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.
- Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation.

Report of the Directors

- We rely on third-party OEM service providers and raw materials suppliers for the manufacturing of our hardware devices. If these suppliers can no longer provide satisfactory services or products to us on commercially reasonable terms, or at all, our business and results of operations could be adversely affected.
- We rely on a limited number of suppliers for procurement of fundus cameras and our raw materials. A significant interruption in the operations of our suppliers could potentially affect our operations and any material misconduct or disputes against our suppliers could potentially harm our business and reputation.
- If we become a party to litigations, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.
- Potential acquisition and investment opportunities may increase our capital requirements and subject us to risks and uncertainties.
- If we fail to implement our business strategies effectively, our business, financial condition and results of operations may suffer.
- We could be subject to criminal sanctions or civil and administrative penalties if we violate any applicable anti-kickback laws, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China and other jurisdictions.
- If our employees, third-party suppliers, consultants and commercial partners engage in bribery or corrupt practices or other improper activities, including non-compliance with regulatory standards and requirements, our reputation, our sales activities or the price of our Shares could be adversely affected.
- If we fail to maintain or implement an effective internal control system, we may not be able to manage our business effectively and may experience errors or information lapses affecting our business.
- Our business significantly depends on our reputation and customer perception of us. Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.
- Our leasehold interests in leased properties have not been registered with the relevant PRC governmental authorities as required by relevant PRC laws. The failure to register leasehold interests may expose us to potential fines.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in our Shares.

IMPACT OF COVID-19

The COVID-19 pandemic has been lingering around the world for over two years since it was first reported in late 2019. With the outbreak of its Delta variant since July 2021 and Omicron variant since November 2021, a series of containment measures have been again implemented or gradually reinforced to prevent and contain the virus in China. Despite the challenges, the Group's revenue for the year ended December 31, 2021 increased by 141.6% to RMB115.2 million from RMB47.7 million for the year ended December 31, 2020. The pandemic did not have a material adverse effect on the Group's commercialization for 2021.

Report of the Directors

Entering March 2022, a few local governments in China have further intensified their containment measures in response to the re-emergence of positive cases, such as strict regional travel restrictions or community closure. As of the date of this annual report, the Group had no suspected or confirmed positive COVID-19 cases on its premises or among its employees. The Group will continue to implement appropriate measures as necessary to ease the impact of the COVID-19 outbreak on its operations. However, considering the evolving situation, the Group cannot guarantee that the outbreak of COVID-19 and its variants will not further escalate or have a material adverse effect on its business operations going forward.

DIRECTORS' AND SUPERVISORS' BIOGRAPHICAL DETAILS

Details of Directors and Supervisors are set out in “Profiles of Directors, Supervisors and Management” of this annual report. Save as disclosed in that section, up to the date of this annual report, there were no changes to information which are required to be disclosed by Directors and Supervisors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Details of Directors' and Supervisors' service contracts are set out in the section headed “Appointment, Re-election and Removal of Directors” of the Corporate Governance Report.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors, Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares in, or debentures of, the Company or its subsidiary, or had exercised any such right during the Reporting Period.

COMPETING INTERESTS AND OTHER INTERESTS

None of the Directors or the Supervisors or any entity connected with them had any material interest, either directly or indirectly, in any contract, transaction or arrangement of significance to the Company's business to which the Company, any of its holding companies, any of its subsidiaries, fellow subsidiaries was a party subsisted at the end of the year or at any time during the Reporting Period and up to the date of this annual report.

During the Reporting Period, none of the Directors and their respective associates had an interest in a business which causes or may cause any significant competition with the business of the Company and any other conflicts of interest which any such person has or may have with the Company.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these non-executive Directors are neither the controlling shareholders of our Company nor members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and considers such Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five highest paid individuals are set out in Notes 8 and 9 to the consolidated financial statements.

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

For the year ended December 31, 2021, Directors and Supervisors were granted discretionary bonuses of a total sum of RMB3,084,000. Save as disclosed above, none of the Directors or Supervisors was paid discretionary bonuses for the year ended December 31, 2021.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the Corporate Governance Code as its own code of corporate governance. The Board is of the view that the Company has complied with all applicable code provisions of the Corporate Governance Code during the period from the Listing Date up to December 31, 2021, except for the following:

Under the code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Under the current organization structure of the Company, Mr. ZHANG Dalei is the chairman of the Board, chief executive officer and founder of the Company. With extensive experience in the medical devices industry and having served in the Company since its establishment, Mr. ZHANG Dalei is in charge of overall management, business and strategic development of the Group. The Board considers that vesting the roles of the chairman of the Board and the chief executive officer in the same person is beneficial to the business operations and management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises four executive Directors (including Mr. ZHANG Dalei), two non-executive Directors and three independent non-executive Directors, and therefore has a strong independent element in its composition.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance and assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

The corporate governance report is set out on pages 27 to 39 of this annual report.

Report of the Directors

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility to promote a sustainable and environmental-friendly environment. We strive to minimize our environmental impact and to build our corporation in a sustainable way.

We are subject to environmental protection and occupational health and safety laws and regulations in China. In 2021, we complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints, which had a material and adverse effect on our business, financial condition or results of operations. The environmental, social and governance report of the Company prepared in accordance with Appendix 27 of the Listing Rules is set out on pages 40 to 76 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are carried out in the PRC, while its Shares are listed on the Stock Exchange. The businesses operated by the Group are subject to the laws of relevant jurisdiction in the PRC and Hong Kong. During the year ended December 31, 2021 and as of the date of this annual report, the Group has complied with relevant laws and regulations that have a significant impact on us in the applicable jurisdictions.

During the Reporting Period and up to the date of the annual report, none of the Group and the Directors, Supervisors and senior management of the Company were subject to any investigation initiated or administrative penalties imposed by the CSRC, banned from entering the market, identified as inappropriate candidates, publicly condemned by stock exchanges, subject to mandatory measures, transferred to judicial organs or held criminally responsible, and none were involved in any other litigation, arbitration or administrative proceedings which would have a material adverse impact on our business, financial condition or results of operations.

Report of the Directors

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

As of December 31, 2021, the interests and short positions of the Directors, Supervisors or chief executives of the Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in the Company

Name of Director	Position	Nature of interest	Number and class of Shares	Approximate percentage of interest in the relevant class of Shares of our Company	Approximate percentage of interest in our Company ⁽¹⁾
Mr. Zhang	Executive Director and chief executive officer	Beneficial owner	17,248,854 Domestic Shares	22.22%	16.65%
		Interest in a controlled corporation ⁽²⁾	5,331,308 Domestic Shares	6.87%	5.15%
		Interest of a party to an agreement ⁽³⁾	2,796,117 Domestic Shares	3.60%	2.70%
Mr. Gao	Executive Director	Beneficial owner	883,357 Domestic Shares	1.14%	0.85%
		Interest of a party to an agreement ⁽⁴⁾	24,492,922 Domestic Shares	31.55%	23.65%

Notes:

- (1) The percentage is calculated based on the number of relevant class of Shares in issue as of December 31, 2021.
- (2) As of December 31, 2021, Mr. Zhang was the general partner of Airdoc Universe. Therefore, Mr. Zhang was deemed to be interested in the 5,331,308 Domestic Shares held by Airdoc Universe under the SFO.
- (3) As of December 31, 2021, pursuant to the Concert Party Agreement, Mr. Zhang agreed to act in concert with Mr. Gao and Mr. Chen by aligning their votes at Shareholders' meetings of the Company. Therefore, Mr. Zhang was deemed to be interested in an aggregate of 2,796,117 Domestic Shares, consisting of 883,357 Domestic Shares held by Mr. Gao and 1,912,760 Domestic Shares held by Mr. Chen under the SFO.
- (4) As of December 31, 2021, pursuant to the Concert Party Agreement, Mr. Gao agreed to act in concert with Mr. Zhang and Mr. Chen by aligning their votes at Shareholders' meetings of the Company. Therefore, Mr. Gao was deemed to be interested in an aggregate of 24,492,922 Domestic Shares, consisting of 22,580,162 Domestic Shares held by Mr. Zhang and 1,912,760 Domestic Shares held by Mr. Chen under the SFO.

Report of the Directors

Save as disclosed above, as of December 31, 2021, to the best knowledge of the Company, none of the Directors, Supervisors or chief executives of the Company or their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of December 31, 2021, so far as the Directors or chief executives of the Company are aware, the following persons (other than the Directors or chief executives of the Company or their associates) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions in the Company

Name of Substantial Shareholders	Nature of interest	Number of Shares	Class of Shares	Approximate percentage of interest in the relevant class of Shares of our Company	Approximate percentage of interest in our Company
Mr. Chen	Beneficial owner	1,912,760	Domestic Shares	2.46%	1.85%
	Interest of a party to an agreement ⁽¹⁾	23,463,519	Domestic Shares	30.22%	22.65%
Fosun International ⁽²⁾	Interest in a controlled corporation	10,386,756	Domestic Shares	13.38%	10.03%
Yadong Beichen ⁽²⁾⁽³⁾	Beneficial owner	10,272,503	Domestic Shares	13.23%	9.92%
	Interest of a party to an agreement	114,253	Domestic Shares	0.15%	0.11%
Ping An Insurance ⁽⁴⁾	Interest in a controlled corporation	7,169,737	Domestic Shares	9.24%	6.92%
Ping An Healthtech ⁽⁴⁾	Beneficial owner	7,169,737	Domestic Shares	9.23%	6.92%
Ms. XU Yanhua ⁽⁵⁾	Interest in a controlled corporation	6,486,253	Domestic Shares	8.25%	6.26%
Suqian Airdoc ⁽⁵⁾	Beneficial owner	4,166,665	Domestic Shares	5.37%	4.02%
Mr. MA Huateng ⁽⁶⁾	Interest in a controlled corporation	5,942,699	Domestic Shares	7.65%	5.74%
Tencent Holdings Limited ⁽⁶⁾	Interest in a controlled corporation	5,942,699	Domestic Shares	7.65%	5.74%

Report of the Directors

Name of Substantial Shareholders	Nature of interest	Number of Shares	Class of Shares	Approximate percentage of interest in the relevant class of Shares of our Company	Approximate percentage of interest in our Company
Shiji Sisu ⁽⁶⁾	Beneficial owner	5,942,699	Domestic Shares	7.65%	5.74%
Lake Bleu Capital (Hong Kong) Limited ⁽⁷⁾	Investment manager	5,049,236	H Shares	19.47%	4.88%
China Life Franklin Asset Management Co., Limited ⁽⁸⁾	Investment manager	3,107,000	H Shares	11.98%	3.00%
China Life Insurance (Group) Company ⁽⁸⁾⁽⁹⁾	Beneficial owner	155,400	H Shares	0.60%	0.15%
	Interest in a controlled corporation	2,951,600	H Shares	11.38%	2.85%
China Life Insurance (Overseas) Co., Ltd. ⁽⁸⁾⁽⁹⁾	Beneficial owner	2,951,600	H Shares	11.38%	2.85%
Dr. Yi SHI ⁽¹⁰⁾	Interest in a controlled corporation	2,607,336	H Shares	10.05%	2.52%
LAV ImmOn Hong Kong Limited ⁽¹⁰⁾	Beneficial owner	1,571,536	H Shares	6.05%	1.52%
UBS Group AG ⁽¹¹⁾	Interest in a controlled corporation	1,327,499	H Shares	5.12%	1.28%
UBS AG ⁽¹¹⁾	Beneficial owner	1,307,500	H Shares	5.04%	1.26%

Notes:

- As of December 31, 2021, pursuant to the Concert Party Agreement, Mr. Chen agreed to act in concert with Mr. Zhang and Mr. Gao by aligning their votes at Shareholders' meetings of the Company. Therefore, Mr. Chen was deemed to be interested in an aggregate of 23,463,519 Domestic Shares, consisting of 22,580,162 Domestic Shares held by Mr. Zhang and 883,357 Domestic Shares held by Mr. Gao under the SFO.
- As of December 31, 2021, Yadong Beichen was held by Shanghai Ruikun Venture Capital Co., Ltd. (上海銳坤創業投資有限公司) ("Shanghai Ruikun") and Shanghai Fosun Industrial Investment Co., Ltd. (上海復星產業投資有限公司) ("Shanghai Fosun") as to 64.1% and 35.9%, respectively. Shanghai Ruikun was owned as to 98% by Shanghai Fosun High Technology Group Finance Co., Ltd. (上海復星高科技(集團)有限公司) ("Fosun High Technology") which was wholly owned by Fosun International Limited (復星國際有限公司) ("Fosun International"), a company whose shares are listed on the Stock Exchange (stock code: 656). Shanghai Fosun was wholly owned by Fosun High Technology. Therefore, each of Shanghai Ruikun, Shanghai Fosun, Fosun High Technology and Fosun International was deemed to be interested in the 10,386,756 Domestic Shares in which Yadong Beichen was interested under the SFO.

Report of the Directors

- (3) As of December 31, 2021, pursuant to the voting proxy arrangement between Ningbo Xingbangyu Business Management Consulting Partnership (Limited Partnership) (寧波星邦鬱企業管理諮詢合夥企業(有限合夥)) (“**Xingbangyu**”) and Yadong Beichen, Xingbangyu conferred the voting right of the Shares held by it on Yadong Beichen. Therefore, Yadong Beichen was deemed to be interested in the 114,253 Domestic Shares held by Xingbangyu under the SFO.
- (4) As of December 31, 2021, Ping An Healthtech was wholly owned by Ping An Technology (Shenzhen) Co., Ltd. (平安科技(深圳)有限公司) (“**Ping An Technology**”), which was owned by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) (“**Ping An Insurance**”), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 601318), and Shenzhen Ping An Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司) (“**Ping An Financial**”) as to 68.4% and 31.6%, respectively. Therefore, each of Ping An Technology, Ping An Insurance and Ping An Financial was deemed to be interested in the 7,169,737 Domestic Shares held by Ping An Healthtech under the SFO.
- (5) As of December 31, 2021, Ms. XU Yanhua (徐彥華), an employee of our Group, was the general partner of Suqian Airdoc and Suqian Zhongyou, each as an employee incentive platform of our Company. Therefore, Ms. XU Yanhua is deemed to be interested in the 4,166,665 and 2,319,588 Domestic Shares respectively held by Suqian Airdoc and Suqian Zhongyou under the SFO.
- (6) As of December 31, 2021, Shiji Sisu was wholly owned by Sogou Information, which was ultimately beneficially owned as to 55% by Mr. MA Huatong and 45% by Tencent Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 700). Therefore, each of Sogou Information, Mr. MA Huatong and Tencent Holdings Limited was deemed to be interested in the 5,942,699 Domestic Shares held by Shiji Sisu under the SFO.
- (7) As of December 31, 2021, Lake Bleu Capital (Hong Kong) Limited was the investment manager of Lake Bleu Prime Healthcare Master Fund Limited and LBC Sunshine Healthcare Fund II. Limited Partnership, which holds 3,477,700 H Shares and 1,571,536 H Shares, respectively. Therefore, Lake Bleu Capital (Hong Kong) Limited is deemed to be interested in the Shares in which Lake Bleu Prime Healthcare Master Fund Limited and LBC Sunshine Healthcare Fund II. Limited Partnership were interested under the SFO.
- (8) As of December 31, 2021, China Life Insurance (Overseas) Co., Ltd directly held 2,951,600 H Shares and was wholly owned by China Life Insurance (Group) Company. China Life Insurance (Group) Company directly held 155,400 H Shares of the Company, and was deemed interested in the 2,951,600 H Shares held by China Life Insurance (Overseas) Co., Ltd. China Life Franklin Asset Management Co., Limited was the investment manager of China Life Insurance (Group) Company. and therefore was deemed to be interested in an aggregate of 3,107,000 H Shares in which China Life Insurance (Group) Company and China Life Insurance (Overseas) Co., Ltd. were interested under the SFO.
- (9) As of December 31, 2021, China Life Insurance (Overseas) Co., Ltd. was wholly owned by China Life Insurance (Group) Company. Therefore, China Life Insurance (Group) Company was deemed to be interested in the 2,951,600 H Shares held by China Life Insurance (Overseas) Co., Ltd. under the SFO.
- (10) As of December 31, 2021, LAV Star Limited was wholly-owned by LAV Fund VI, L.P. and LAV Star Opportunities Limited was wholly-owned by LAV Fund VI Opportunities, L.P. (together with LAV Fund VI, L.P., collectively, the “**LAV Fund VI**”). LAV Star Limited and LAV Star Opportunities Limited were associated with LAV ImmOn Hong Kong Limited. LAV ImmOn Hong Kong Limited and LAV Fund VI were ultimately beneficially owned by Dr. Yi SHI. Therefore, Dr. Yi SHI was deemed to be interested in an aggregate of 2,607,336 H Shares, consisting of 517,900 H Shares held by LAV Star Limited, 517,900 H Shares held by LAV Star Opportunities Limited and 1,571,536 H Shares held by LAV ImmOn Hong Kong Limited, under the SFO.
- (11) As of December 31, 2021, UBS AG and UBS Switzerland AG were wholly owned by UBS Group AG. Therefore, UBS Group AG was deemed to be interested in an aggregate of 1,327,499 H Shares, consisting of 1,307,500 H Shares held by UBS AG and 19,999 H Shares held by UBS Switzerland AG, under the SFO.

Save as disclosed above, as of December 31, 2021, to the best knowledge of the Company, no person, other than the Directors, Supervisors or chief executives of the Company whose interests are set out in the subsection above, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on November 5, 2021. After finalization and the settlement of the listing expenses, including the relevant expenses incurred by work done by professional parties, the finalized net proceeds from the Global Offering amounted to HK\$1,550.7 million. Accordingly, the planned applications of the net proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" are adjusted pro rata as set forth in the table below. The planned applications and allocation percentage remained unchanged. As of December 31, 2021, approximately HK\$6.1 million of the net proceeds of the Global Offering had been utilized as follows:

Use of proceeds	Planned applications (HK\$ million)	Percentage of total net proceeds (%)	Actual usage up to December 31, 2021 (HK\$ million)	Unutilized net proceeds as of December 31, 2021 (HK\$ million)	Expected time of full utilization of remaining balance
Optimization, development and commercialization of our Core Product	775.4	50%	0.1	775.3	2026
Research and development and manufacturing of our hardware devices	294.6	19%	0.0	294.6	2026
Ongoing and future R&D of our health risk assessment solutions	155.1	10%	0.0	155.1	2026
Development of our portfolio to diversify our AI-empowered retina-based early detection, diagnosis and health risk assessment solutions	93.0	6%	0.0	93.0	2024
Collaborations with academic and research institutions on joint research projects	77.5	5%	0.0	77.5	2024
Working capital and other general corporate purposes	155.1	10%	6.0	149.1	2024
Total	1,550.7	100%	6.1	1,544.6	2026

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period from the Listing Date up to December 31, 2021.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details on related party transactions of the Group for the year ended December 31, 2021 are set out in Note 26 to the consolidated financial statements. None of the related party transactions constitute a connected transaction or continuing connected transaction which is subject to the Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. There was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Listing Rules during the Reporting Period (2020: nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC that would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Report of the Directors

TAX RELIEF AND EXEMPTION

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

SHARE INCENTIVES SCHEME

Airdoc Universe, Suqian Airdoc and Suqian Zhongyou were established in the PRC as our employee incentive platforms, and respectively held approximately 5.15%, 4.02% and 2.24% of the total issued Shares of the Company as of the date of this annual report. For further details of the employee incentive platforms, please refer to the Prospectus. As of the date of this annual report, the Company did not have any share incentive scheme subject to the disclosure requirements under Chapter 17 of the Listing Rules.

EMPLOYEE AND REMUNERATION POLICIES

As of December 31, 2021, the Group had 335 full-time employees.

The number of employees employed by the Group varies from time to time depending on need. The remuneration package of our employees includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Remuneration and Appraisal Committee of the Company was set up for reviewing the Company's emolument policy and structure for all remuneration of the Directors, Supervisors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors, Supervisors and senior management and comparable market practices.

The total remuneration cost incurred by the Group for the year ended December 31, 2021 was RMB129.5 million.

The remuneration package of our employees includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

For the year ended December 31, 2021, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

PENSION SCHEME

The Company and all its subsidiaries are located in the PRC. The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Details of the pension scheme of the Group are set out in Note 6(b) to the consolidated financial statements. During the Reporting Period, there were no forfeited contributions under the Group's pension scheme, and there were no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period,

- (i) the Group's largest supplier accounted for 15.61% (2020: 25.00%) of its total purchases, and the five largest suppliers accounted for 49.44% of its total purchases (2020: 70.40%); and
- (ii) the Group's largest customer accounted for 24.13% (2020: 43.50%) of its total sales, and the five largest customers accounted for 65.96% of its total sales (2020: 85.50%).

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

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including suppliers, employees, Shareholders and other business associates are key to the Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

Relationship with Our Employees

We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We conduct new employee training, as well as professional and compliance training programs for employees. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees usually includes salary, bonus and share option incentives, which are generally determined by their qualifications, industry experience, position and performance. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

Relationship with Shareholders

We recognize the importance of protecting the interests of the Shareholders and of having effective communication with them. We believe communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, annual reports and results announcements.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last three financial years, as extracted from the audited consolidated financial statements, is set out in this annual report. This summary does not form part of the audited consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as of December 31, 2021 are set out in Note 27 to the consolidated financial statements.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group for the year ended December 31, 2021 are set out in Note 11 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2021 and details of the Shares issued for the year ended December 31, 2021 are set out in Note 24 to the consolidated financial statements.

DEBENTURE ISSUED

The Group did not issue any debenture for the year ended December 31, 2021.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Reporting Period or subsisted at the end of the Reporting Period.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate liability insurance policies for its Directors, Supervisors and senior management since the Listing Date.

DISTRIBUTABLE RESERVES

As of December 31, 2021, our Company did not retain any profits as reserves available for distribution to our equity Shareholders.

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2021 are set out in the consolidated statement of changes in equity and in Note 24 to the consolidated financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2021, the Group did not have any bank loans or other borrowings (December 31, 2020: nil).

CONVERTIBLE BONDS

As of December 31, 2021 and up to the date of this annual report, the Company has not issued any convertible bonds (December 31, 2020: nil).

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended December 31, 2021, the Company did not make any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures (2020: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of the date of this annual report, the Company did not have any existing plan for material investments or acquisition of capital assets.

CAPITAL EXPENDITURES

The Company's capital expenditures primarily consist of purchase and manufacturing of fundus camera, furniture and others and leasehold improvement. For the years ended December 31, 2020 and 2021, the Company's capital expenditure was RMB21.9 million and RMB28.0 million, respectively. The increase in the capital expenditures was primarily due to the increase of purchase and manufacturing of fundus cameras as a result of the Company's business growth, as well as related to purchasing servers used in its operations, and optimizing its deep learning algorithms and improving its engineering infrastructure.

CAPITAL COMMITMENTS

As of December 31, 2021, the Company did not have any capital commitments (December 31, 2020: nil).

CONTINGENT LIABILITIES

As of December 31, 2021, the Company did not have any contingent liabilities (December 31, 2020: nil).

PLEDGE ON ASSETS

There were no pledges on the Group's assets as of December 31, 2021 (December 31, 2020: nil).

FOREIGN EXCHANGE EXPOSURE

The Group's financial statements are expressed in RMB, but certain of its cash and cash equivalents are denominated in foreign currencies, and are exposed to foreign currency risk. The Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARITABLE DONATIONS

During the year ended December 31, 2021, the Group made charitable donations of RMB50,000 to the education fund of Tsinghua University (2020: nil).

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the year ended December 31, 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2021.

Report of the Directors

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as of the date of this annual report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors being Mr. NG Kong Ping Albert, Mr. HUANG Yanlin and Mr. WU Yangfeng. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Company and overseeing the audit process. The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2021.

AUDITOR

The consolidated financial statements of the Group have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The AGM is scheduled to be held on May 19, 2022. A notice convening the AGM will be published on the websites of the Company (www.airdoc.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

The register of members of the Company will be closed from Tuesday, April 19, 2022 to Thursday, May 19, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's H share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, April 14, 2022.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

During the Reporting Period, the Group did not have any controlling shareholder. The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

All references above to other sections, reports or notes in this report form part of this annual report.

By order of the Board
Beijing Airdoc Technology Co., Ltd.
Mr. ZHANG Dalei
Chairman of the Board

Beijing, the PRC, March 17, 2022

Report of the Supervisors

With the joint efforts of all Supervisors of Beijing Airdoc Technology Co., Ltd. (the “Company”), in accordance with the laws and regulations such as the Company Law of the People’s Republic of China (the “Company Law”) and the provisions of the Articles of Association and the Rules of Procedures for Meeting of the Board of Supervisors, the Board of Supervisors, in the spirit of being responsible to all shareholders of the Company, conscientiously performed the duties and powers granted by relevant laws and regulations, actively and effectively carried out the work, supervised the compliance of the operation of the Company and the performance of duties by Directors and senior management of the Company, and safeguarded the legitimate rights and interests of the Company as well as its Shareholders.

The work of the Board of Supervisors in 2021 and the work plan for 2022 are hereby reported as follows:

I. WORK OF THE BOARD OF SUPERVISORS IN 2021

In 2021, the Board of Supervisors convened and held 2 meetings of the Board of Supervisors pursuant to the laws. The notice, convening and voting procedures for the meetings were in compliance with the requirements of the Company Law and other laws and regulations as well as the Articles of Association and the Rules of Procedures for the Board of Supervisors. The work of the Board of Supervisors mainly included:

1. Attending general Shareholders’ meetings of the Company to understand the operation of the general Shareholders’ meetings;
2. Attend the meetings of the Board of Directors of the Company to understand the operation of the Board of Directors;
3. Review the financial reports of the Company and the audit reports submitted by accounting firm.

II. OPINIONS ON THE BOARD OF SUPERVISORS DURING THE REPORTING PERIOD

(i) Compliance of the Operation

The members of the Board of Directors and senior management of the Company operated in strict compliance with the relevant provisions of the Company Law and the Articles of Association, diligently and responsibly performed their duties with a scientific and reasonable decision-making process, earnestly implemented each resolution of the general Shareholders’ meetings, and they were not aware of any illegal act or actions against the interests of the Company.

(ii) Financial Position of the Company

The Board of Supervisors reviewed and agreed with the audited consolidated financial statements for the year ended December 31, 2021, and believed that the financial statements of the Company has given an objective and true view of the financial position and the operating results of the Company and is free of false representations, misleading statements and material omissions.

Report of the Supervisors

(iii) Internal Control

Based on the relevant regulations of the Company Law and the Articles of Association together with its actual condition, the Company established a comprehensive internal management and internal control system, which ensures the normal operation of the Company. The Company has a complete internal control organization and an internal audit department with sufficient staff to ensure full and effective implementation and supervision of the Company.

(iv) Integrity and Self-discipline

The Directors and senior management of the Company strictly regulated themselves to abide by the laws and regulations with honesty and self-discipline, and no illegal acts due to personal interests were found.

III. WORK PLAN FOR 2022

The Board of Supervisors will further regulate the work of the Board of Supervisors in accordance with the Company Law, the Articles of Association as well as relevant laws and regulations, reinforce its supervision and safeguard the interests of the Company and its Shareholders:

- (1) Attend general Shareholders' meetings of the Company and pay close attention to the operation of the general Shareholders' meetings as well as the Company's business decisions to ensure normal operation of the Company.
- (2) Attend the meetings of Board of Directors of the Company and continue to actively participate in various work meetings organized and convened by the Company to keep abreast of the operation of the Board of Directors and the development of the Company's operation to ensure the standardized operation of the Company.
- (3) Further reinforce the supervision and inspection of the financial position of the Company.
- (4) Supervise the compliance and due diligence of the Directors and senior management of the Company.

The Board of Supervisors
Beijing Airdoc Technology Co., Ltd.

March 17, 2022

Independent Auditors' Report



To the shareholders of Beijing Airdoc Technology Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Airdoc Technology Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages 102 to 169, which comprises the consolidated statement of financial position of the Group as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standard on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (“**the Code**”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Report

KEY AUDIT MATTERS

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

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(s).

The Key Audit Matter

Revenue recognition

The Group's revenue primarily derived from provision of artificial intelligence (AI)-based software solutions to its customers.

The Group's revenue is mainly generated from subscription contracts under which a customer either pays a fee for a predetermined or an unlimited number of transactions during the subscription period or pays a fixed fee for each transaction during the subscription period.

Revenue from the subscription contracts with a predetermined number of transactions or a fixed fee for each transaction is recognised when the services are provided, using the unit price agreed in the contract multiplied by the number of transactions provided. Revenue from the subscription contracts with an unlimited number of transactions is recognised on a straight-line basis during the subscription period.

We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and is, therefore, subject to possible manipulation through the timing of revenue recognition to meet targets or expectations.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue from the provision of AI-based software solutions during the year included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition;
- on a sample basis, agreeing the underlying information, including the contract price, subscription period and number of transactions in calculating revenue recognised during the year to the subscription contracts and acknowledgement of services with customers; and recalculating the related revenue;
- obtaining confirmations, on a sample basis, from customers to confirm the contract price and number of transactions provided during the year; and
- inspecting journal entries relating to revenue which met specific risk-based criteria, enquiring of management the reasons for posting such adjustments and checking the details of the adjustments to relevant underlying documentation.

Independent Auditors' Report

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

Independent Auditors' Report

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

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

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

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

Independent Auditors' Report

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

The engagement partner on the audit resulting in this independent auditor's report is Yu Wai Sum.

KPMG

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

17 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Revenue	4	115,181	47,672
Cost of sales		(44,940)	(18,585)
Gross profit		70,241	29,087
Other income	5	1,448	5,012
Research and development expenses		(64,265)	(42,309)
Selling expenses		(72,586)	(25,801)
Administrative expenses		(77,067)	(17,902)
Loss from operations		(142,229)	(51,913)
Finance costs	6(a)	(298)	(22)
Changes in the carrying amount of financial instruments issued to investors	22	—	(27,316)
Loss before taxation	6	(142,527)	(79,251)
Income tax	7(a)	—	(375)
Loss for the year		(142,527)	(79,626)
Attributable to:			
Equity shareholders of the Company		(142,634)	(80,064)
Non-controlling interests		107	438
Loss for the year		(142,527)	(79,626)
Loss per share	10		
Basic and diluted (RMB)		(1.76)	(1.36)

The notes on pages 110 to 169 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

(Expressed in RMB)

	2021 RMB'000	2020 RMB'000
Loss for the year	(142,527)	(79,626)
Other comprehensive income for the year, net of nil tax		
Item that will not be reclassified to profit or loss:		
Equity investments at FVOCI — net movement in fair value reserves (non-recycling)	—	1,607
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	55	(112)
Other comprehensive income for the year	55	1,495
Total comprehensive income for the year	(142,472)	(78,131)
Attributable to:		
Equity shareholders of the Company	(142,579)	(78,569)
Non-controlling interests	107	438
Total comprehensive income for the year	(142,472)	(78,131)

The notes on pages 110 to 169 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

(Expressed in RMB)

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	11	44,959	23,247
Other financial assets	12	3,607	3,607
		48,566	26,854
Current assets			
Inventories	13	7,683	3,559
Trade receivables	14	34,043	19,545
Deposits, prepayments and other receivables	15	19,237	11,097
Cash and cash equivalents	16	1,784,648	374,698
		1,845,611	408,899
Current liabilities			
Trade and other payables	17	48,538	16,665
Contract liabilities	18	17,078	7,332
Lease liabilities	19	4,775	519
Current taxation		380	382
		70,771	24,898
Net current assets		1,774,840	384,001
Total assets less current liabilities		1,823,406	410,855

Consolidated Statement of Financial Position

(Expressed in RMB)

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current liabilities			
Lease liabilities	19	3,420	—
Deferred income	21	—	2,405
		3,420	2,405
Net assets			
		1,819,986	408,450
Capital and reserves			
Share capital	24(a)	101,248	75,000
Reserves		1,718,738	333,212
Total equity attributable to equity shareholders of the Company		1,819,986	408,212
Non-controlling interests		—	238
Total equity		1,819,986	408,450

Approved and authorised for issue by the board of directors on 17 March 2022.

Zhang Dalei
Director

Chen Yuzhong
Director

The notes on pages 110 to 169 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Issued capital			Exchange reserve	Fair value reserve (non-recycling)	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	Paid-in capital	Share capital	Share premium							
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Note 24(c)(i))	(Note 24(c)(ii))	(Note 24(d)(ii))	(Note 24(d)(iii))	(Note 24(d)(iv))	(Note 24(d)(i))					
At 1 January 2021	–	75,000	330,345	275	1,607	23,909	(22,924)	408,212	238	408,450
Changes in equity for 2021:										
Loss for the year	–	–	–	–	–	–	(142,634)	(142,634)	107	(142,527)
Other comprehensive income	–	–	–	55	–	–	–	55	–	55
Total comprehensive income	–	–	–	55	–	–	(142,634)	(142,579)	107	(142,472)
Shares issued upon initial public offering ("IPO") (Note 24(c)(v))	–	22,267	1,262,802	–	–	–	–	1,285,069	–	1,285,069
Issuance of ordinary shares to pre-IPO investors (Note 24(c)(iv))	–	3,981	234,818	–	–	–	–	238,799	–	238,799
Contributions from shareholders (Note 24(d)(i))	–	–	–	–	–	23,598	–	23,598	–	23,598
Acquisition of non-controlling interests (Note 27)	–	–	–	–	–	345	–	345	(345)	–
Equity-settled share-based transactions	–	–	–	–	–	6,542	–	6,542	–	6,542
	–	26,248	1,497,620	–	–	30,485	–	1,554,353	(345)	1,554,008
At 31 December 2021	–	101,248	1,827,965	330	1,607	54,394	(165,558)	1,819,986	–	1,819,986

Consolidated Statement of Changes in Equity

(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Issued capital			Exchange reserve	Fair value reserve (non-recycling)	Other reserve	Accumulated losses	Total	Non-controlling interests	Total (deficit)/equity
	Paid-in capital	Share capital	Share premium							
	RMB'000 (Note 24(c)(i))	RMB'000 (Note 24(c)(ii))	RMB'000 (Note 24(d)(ii))							
At 1 January 2020	11,888	—	—	387	—	5,232	(176,874)	(159,367)	23	(159,344)
Changes in equity for 2020:										
Loss for the year	—	—	—	—	—	—	(80,064)	(80,064)	438	(79,626)
Other comprehensive income	—	—	—	(112)	1,607	—	—	1,495	—	1,495
Total comprehensive income	—	—	—	(112)	1,607	—	(80,064)	(78,569)	438	(78,131)
Paid in capital contributions from shareholders	2,933	—	—	—	—	—	—	2,933	—	2,933
Issuance of financial instruments to investors (Note 22)	889	—	—	—	—	177,696	—	178,585	—	178,585
Recognition of financial instruments issued to investors as current liabilities (Note 22)	—	—	—	—	—	(180,000)	—	(180,000)	—	(180,000)
Reclassification of financial instruments issued to investors as equity (Note 22)	—	—	—	—	—	575,354	—	575,354	—	575,354
Conversion into a joint stock company with limited liability (Note 24(c))	(15,710)	15,710	331,417	—	—	(565,431)	234,014	—	—	—
Issuance of ordinary shares (Note 24(c))	—	296	57,922	—	—	—	—	58,218	—	58,218
Capitalisation issue (Note 24(c))	—	58,994	(58,994)	—	—	—	—	—	—	—
Acquisition of non-controlling interests (Note 27)	—	—	—	—	—	—	—	—	(223)	(223)
Equity-settled share-based transactions	—	—	—	—	—	11,058	—	11,058	—	11,058
	(11,888)	75,000	330,345	—	—	18,677	234,014	646,148	(223)	645,925
At 31 December 2020	—	75,000	330,345	275	1,607	23,909	(22,924)	408,212	238	408,450

The notes on pages 110 to 169 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Cash used in operations	16(b)	(112,091)	(42,856)
Tax paid		(2)	—
Net cash used in operating activities		(112,093)	(42,856)
Investing activities			
Payment for the purchase of property, plant and equipment		(28,013)	(21,913)
Investment in unlisted equity securities		—	(2,000)
Redemption of debt instruments and wealth management products		1,506,000	656,217
Payment for the purchase of debt instruments and wealth management products		(1,506,000)	(565,957)
Investment income from debt instruments and wealth management products		5,994	3,116
Proceeds from disposal of property, plant and equipment		13	18
Loans repaid by a director		—	1,550
Loans repaid by a company controlled by a director		—	20,023
Interest from loans to a non-controlling shareholder		—	641
Net cash (used in)/generated from investing activities		(22,006)	91,695

Consolidated Statement of Cash Flows

(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Financing activities	19		
Proceeds from shares issued upon IPO		1,374,653	—
Issuance of ordinary shares to pre-IPO investors		237,016	62,933
Capital contributions received from share-based payment schemes		23,598	—
Proceeds from the issuance of financial instruments to investors	16(c)	—	180,000
Payment of transaction costs incurred in the issuance of financial instruments to investors		—	(1,415)
Interest element of lease rentals paid	16(c)	(298)	(20)
Capital element of lease rentals paid	16(c)	(4,583)	(642)
Listing expense paid	16(c)	(77,378)	—
Acquisition of non-controlling interests		—	(223)
Net cash generated from financing activities		1,553,008	240,633
Net increase in cash and cash equivalents		1,418,909	289,472
Cash and cash equivalents at 1 January		374,698	85,336
Effect of foreign exchange rate changes		(8,959)	(110)
Cash and cash equivalents at 31 December	16(a)	1,784,648	374,698

The notes on pages 110 to 169 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1 GENERAL INFORMATION

Beijing Airdoc Technology Co., Ltd. (北京鷹瞳科技發展股份有限公司, formerly known as Beijing Tulip Partner Technology Co., Ltd. (北京鬱金香夥伴科技有限公司)) (the “**Company**”) was established as a limited liability company in the People’s Republic of China (the “**PRC**”) on 9 September 2015. The Company was converted from a limited liability company into a joint stock limited liability company on 28 December 2020 and changed its name as Beijing Airdoc Technology Co., Ltd..

The Company and its subsidiaries (together, “**the Group**”) are primarily focusing on providing AI-empowered retina-based early detection, diagnosis and health risk assessment solutions., The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 5 November 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The Group has adopted these amendments consistently for the periods presented. None of these developments have had a material impact to the financial statements of the Group. The Group has not applied any new amendments that are not yet effective for the current accounting period.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries.

As almost all the Group’s operating activities are carried out in mainland China, and most of the transactions are denominated in RMB, the consolidated financial statements are presented in RMB.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that other investments in equity securities are stated at their fair value as explained in the accounting policies in Note 2(d).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

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

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

(c) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(m) or (o) depending on the nature of the liability.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

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

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

(d) Other investments

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

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 25(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(s)(v)).
- fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Other investments (Continued)

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(s)(iv).

(e) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(f)), are stated at cost less accumulated depreciation and any impairment losses (see Note 2(h)(ii)).

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

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

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

	<i>Useful life</i>
– Hardware devices	3 years
– Furniture and others	3–5 years
– Leasehold improvement	Shorter of the unexpired lease term and 2–3 years
– Right-of-use assets	Over the lease term

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leased assets

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

As a lessee

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leased assets (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“**lease modification**”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period which the event or condition that triggers the rent concessions occurred.

(g) Research and development expenses

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

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“**ECLs**”) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest).

Other financial assets measured at fair value, including non-equity investments measured at FVPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

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

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

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(s)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

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

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Inventories and other contract costs

(i) Inventories

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

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

Cost is calculated using the first-in, first-out (FIFO) cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

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

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(i)(i)) or property, plant and equipment (see Note 2(e)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The incremental costs of obtaining a contract are expensed when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less, using the practical expedient in paragraph 94 of IFRS 15.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(l)).

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

For a single contract with the customer, either a net contract asset or a contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(s)).

(k) Cash and cash equivalents

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

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(j)).

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

(m) Trade and other payables

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial instruments issued to investors

The Company entered into a series of investment agreements with some independent investors (the “**financial instruments issued to investors**”).

The financial instruments issued to investors are classified as financial liabilities if they are redeemable on a specific date or at the option of the investors.

The financial liabilities are measured at the present value of the redemption amount. Any changes in the carrying amount of the financial liabilities were recorded in profit or loss as “changes in the carrying amount of financial instruments issued to investors”.

(o) Interest-bearing borrowings

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

(p) Employee benefits

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

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

(ii) Share-based payments

The fair value of equity-settled share-based payment awards granted to employees is recognised as an employee cost with a corresponding increase in other reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the equity-settled share-based payment awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the equity-settled share-based payment awards, the total estimated fair value of the equity-settled share-based payment awards is spread over the vesting period, taking into account the probability that the equity-settled share-based payment awards will vest.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue and other income

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

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

(i) Provision of artificial intelligence (AI)-based software solutions

The Group earns revenue by provision of AI-based software solutions to its customers through contracts. Revenue is recognised at a point in time when performance obligation is completed and the Group has a present right to collect payment for the services performed.

The Group's revenue is mainly generated from subscription contracts under which a customer either pays a fee for a predetermined or an unlimited number of transactions during the subscription period or pays a fixed fee for each transaction during the subscription period. Revenue from the subscription contracts with a predetermined number of transactions or a fixed fee for each transaction is recognised when the services are provided, using the unit price agreed in the contract multiplied by the number of transactions provided. Revenue from the subscription contracts with an unlimited number of transactions is recognised on a straight-line basis during the subscription period.

(ii) Sale of hardware devices

Revenue is recognised when the customer takes possession of and accepts the products.

If a contract has several performance obligations covering goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue and other income (Continued)

(iii) Other service

Other service revenues mainly include commissions from procurement service and software development service. Commissions from procurement service is recorded on a net basis which the Group earns in exchange for arranging for the specified goods to be provided by other parties. Revenue related to such commissions is recognised upon a time when the Group satisfies its performance obligations by rendering services.

The Group provides software development service according to the customer's customisation requirements. Revenue from software development service is recognised at a point in time when the software development is completed and transferred to customers.

(iv) Dividends

Dividends income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividends income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

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

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(u) Borrowing costs

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

(v) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(w) Segment reporting

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Note 23 sets out certain information about the fair value of restricted share units granted during the year.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Company derives revenue principally from the provision of AI-based software solutions, sales of hardware devices and other services.

(i) Disaggregation of revenue

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

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Provision of AI-based software solutions	96,944	42,848
Sales of hardware devices	16,387	3,340
Other services	1,850	1,484
	115,181	47,672

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	2021 RMB'000	2020 RMB'000
Disaggregated by timing of revenue recognition		
— Point in time	55,881	38,256
— Over time	59,300	9,416
	115,181	47,672

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

	2021 RMB'000	2020 RMB'000
Customer A	27,798	20,750
Customer B	17,995	6,055
Customer C	*	9,922
Customer D	14,231	*

* Less than 10% of the Group's revenue in the respective year.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied was RMB26,213,000 as at 31 December 2021 (31 December 2020: RMB9,968,000). Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts will be recognised within 3 years from the end of year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Geographic information

The Group's operations are mainly located in the Mainland China.

Information about the Group's revenue from its operations from external customers is presented based on the Group's operation location of incorporation/establishment. Information about the Group's non-current assets other than financial instruments and deferred tax assets is presented based on the geographical location of the assets.

	Revenue from external customers	
	2021 RMB'000	2020 RMB'000
Mainland China	114,299	47,485
Others	882	187
	115,181	47,672

	Non-current assets	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Mainland China	44,959	23,247

(c) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment during the years ended 31 December 2021 and 2020.

5 OTHER INCOME

	2021 RMB'000	2020 RMB'000
Government grants	2,903	266
Investment income from debt instruments	—	472
Investment income from wealth management products	5,994	2,494
Interest income from loans to a related party	—	624
Interest income from bank deposits	2,023	1,179
Net loss on disposal of property and equipment	(56)	—
Net foreign exchange loss	(9,416)	(23)
	1,448	5,012

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6 LOSS BEFORE TAXATION

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

(a) Finance costs

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities (Note 16(c))	298	22

(b) Staff costs

	2021 RMB'000	2020 RMB'000
Salaries, wages and other benefits	115,624	55,025
Defined contribution retirement plans	7,346	324
Equity-settled share-based payment (Note 23)	6,542	11,058
	129,512	66,407

As stipulated by the regulations of the PRC, the Group participates in a defined contribution retirement plan organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 15% to 16% (2020: 16% to 20%) of the salaries, bonuses and certain allowances of the employees. The local government authorities are responsible for the entire retirement obligations payable to retired employees. Contributions to the plans vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution. To reduce the impact of the COVID-19 pandemic on enterprises, the local government gradually reduced or exempted the social insurance contributions for the period from 1 February 2020 to 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6 LOSS BEFORE TAXATION (Continued)

(c) Other items

	2021 RMB'000	2020 RMB'000
Depreciation charge		
— property, plant and equipment (Note 11)	15,498	5,457
Impairment losses/(reversal of impairment losses)		
— trade receivables	784	279
— other receivables	(160)	(256)
Auditor's remuneration		
— audit service	1,950	504
Listing expense	10,333	—
Cost of inventories sold (Note 13(b))	13,415	2,461

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2021 RMB'000	2020 RMB'000
Current tax — PRC Enterprise Income Tax ("EIT")		
Provision for the year	—	375

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Continued)

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

	2021 RMB'000	2020 RMB'000
Loss before taxation	(142,527)	(79,251)
Notional tax on loss before taxation, calculated at the applicable rates in the tax jurisdictions concerned (i)(v)	(35,633)	(19,755)
Effect of preferential tax rate (ii)(iv)	17,024	5,795
Effect of additional deduction on research and development expenses (iii)	(7,490)	(4,964)
Tax effect of non-deductible expenses	2,085	10,698
Tax effect of unused tax losses not recognised	24,342	10,196
Tax effect of temporary differences not recognised	(328)	(1,595)
Actual tax expenses	—	375

- (i) The PRC statutory income tax rate is 25% under the PRC Enterprise Income Tax Law. The group entities in the PRC are subject to PRC income tax at 25% unless otherwise specified.
- (ii) According to the PRC Income Tax Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. The Company and Airdoc Shanghai were recognised as high-technology enterprises and are subject to income tax at 15% during the years ended 31 December 2021 and 2020.
- (iii) Effective from 1 January 2018 to 31 December 2023, an additional 75% of qualified R&D expenses incurred is allowed to be deducted from taxable income under the PRC Income Tax Law and its relevant regulations.
- (iv) According to the PRC income tax law and its relevant regulations, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000). Certain subsidiaries of the Group were qualified as small and low profit enterprise and entitled preferential income tax rate for the years ended 31 December 2021 and 2020.
- (v) Taxation for subsidiaries in other tax jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

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For the year ended 31 December 2021

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments are as follows:

	Year ended 31 December 2021					Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment (Note vii) RMB'000	
Executive directors						
Mr. Zhang Dalei	—	408	—	53	—	461
Mr. Gao Fei	—	859	3,000	53	—	3,912
Mr. Chen Hailong	—	834	46	53	—	933
Mr. Chen Yuzhong	—	1,056	—	57	—	1,113
Non-executive directors						
Ms. Wang Mi (ii)	—	—	—	—	—	—
Mr. Jiang Bo	—	—	—	—	—	—
Independent non-executive directors						
Mr. Huang Yanlin (iv)	180	—	—	—	—	180
Mr. Wu Yangfeng (iv)	180	—	—	—	—	180
Ms. Luo Ting (iv)	100	—	—	—	—	100
Mr. Ng Kong Ping Albert (iv)	210	—	—	—	—	210
Supervisors						
Mr. Wei Yubo (v)	—	716	38	53	—	807
Mr. Wang Xiaochuan (v)	—	—	—	—	—	—
Ms. Bai Huihui (v)	—	—	—	—	—	—
Ms. Zhou Wenjuan (v)	—	—	—	—	—	—
	670	3,873	3,084	269	—	7,896

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For the year ended 31 December 2021

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

	Year ended 31 December 2020					Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Equity-settled share-based payment (Note vii) RMB'000	
Executive directors						
Mr. Zhang Dalei	—	412	—	4	53	469
Mr. Gao Fei	—	630	—	4	—	634
Mr. Chen Hailong	—	821	—	4	74	899
Mr. Chen Yuzhong	—	843	—	4	741	1,588
Mr. Chen Mingqiang (i)	—	699	—	4	—	703
Non-executive directors						
Ms. Wang Mi (ii)	—	—	—	—	—	—
Mr. Jiang Bo	—	—	—	—	—	—
Mr. Liu Yi (iii)	—	—	—	—	—	—
Mr. Zhou Yi (iii)	—	—	—	—	—	—
Mr. Yan Ning (iii)	—	—	—	—	—	—
Ms. Xu Jingfang (iii)	—	—	—	—	—	—
Mr. Yao Yong (iii)	—	—	—	—	—	—
Independent non-executive directors						
Mr. Huang Yanlin (iv)	—	—	—	—	—	—
Mr. Wu Yangfeng (iv)	—	—	—	—	—	—
Ms. Luo Ting (iv)	—	—	—	—	—	—
Supervisors						
Mr. Wei Yubo (v)	—	625	—	4	11	640
Mr. Wang Xiaochuan (v)	—	—	—	—	—	—
Ms. Bai Huihui (v)	—	—	—	—	—	—
	—	4,030	—	24	879	4,933

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Notes:

- (i) Mr. Chen Mingqiang resigned as executive director of the Company on 25 December 2020.
- (ii) Ms. Wang Mi were appointed as non-executive directors of the Company on 1 June 2020.
- (iii) Mr. Liu Yi, Mr. Zhou Yi, and Mr. Yan Ning resigned as non-executive directors of the Company on 1 June 2020. Ms. Xu Jingfang and Mr. Yao Yong resigned as non-executive directors of the Company on 25 December 2020.
- (iv) Mr. Huang Yanlin, Mr. Wu Yangfeng and Ms. Luo Ting were appointed as independent non-executive directors of the Company on 25 December 2020. Ms. Luo Ting resigned as Independent non-executive director of the Company on 30 April 2021, and Mr. Ng Kong Ping Albert was appointed as independent non-executive director of the Company on 30 April 2021.
- (v) Mr. Wei Yubo, Mr. Wang Xiaochuan, and Ms. Bai Huihui were appointed as supervisors of the Company on 25 December 2020. The remuneration of Mr. Wei Yubo include his emoluments as an employee of the Group prior to his appointment as supervisor of the Company. Ms. Zhou Wenjuan was appointed as a supervisor of the Company on 12 May 2021.
- (vi) No emoluments were paid by the Company to the directors as an inducement to join or upon joining the Company or as compensation for loss of office during the year (2020: nil).
- (vii) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(p)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, one is director (2020: one) whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2020: four) highest paid individuals are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	3,645	4,423
Discretionary bonuses	1,002	110
Retirement scheme contributions	142	10
Equity-settled share-based payment (Note 23)	5,350	3,690
	10,139	8,233

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2021 Number of individuals	2020 Number of individuals
HKD1,500,001 to HKD2,000,000	—	2
HKD2,500,001 to HKD3,000,000	3	2
HKD3,500,001 to HKD4,000,000	1	—

10 LOSS PER SHARE

The calculation of the basic loss per share for the years ended 31 December 2021 and 2020 is based on the loss for the year attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue.

The Company converted into a joint stock limited liability company and the paid-in capital was converted into 15,709,577 shares of RMB1 each on 28 December 2020. For the purpose of computing basic and diluted loss per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock company was determined assuming the conversion into joint stock company had occurred since 1 January 2020, at the exchange ratio established in the conversion in December 2020.

In addition, pursuant to the resolution passed by the general meeting of shareholders of the Company on 29 December 2020, the Company issued 3.6857 shares for each share in issue by transferring RMB58,994,016 from share premium to share capital. Accordingly, the weighted average number of shares has also been adjusted retrospectively from 1 January 2020 for such capitalisation issue.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10 LOSS PER SHARE (Continued)

(a) Loss of the year attributable to ordinary equity shareholders of the Company

	2021 RMB'000	2020 RMB'000
Loss of the year attributable to all equity shareholders of the Company	(142,634)	(80,064)
Allocation of loss of the year attributable to Financial Instruments Investors	—	29,910
Loss of the year attributable to ordinary equity shareholders of the Company	(142,634)	(50,154)

(b) Weighted average number of shares

Weighted average number of ordinary shares deemed to be in issue

	2021 '000	2020 '000
Ordinary shares at 1 January deemed to be in issue	75,000	11,888
Effect of ordinary shares deemed to be in issue	—	658
Effect of new ordinary shares issued	5,932	2
Effect of Financial Instruments Investors	—	(4,697)
Effect of capitalisation issue	—	28,936
Weighted average number of ordinary shares deemed to be in issue	80,932	36,787

Financial instruments issued to investors, unvested restricted share units and over allotment options were not included in the calculation of diluted loss per share because their effect would have been anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2021 and 2020 was the same as basic loss per share.

Notes to the Consolidated Financial Statements

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11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Hardware devices RMB'000	Furniture and others RMB'000	Leasehold improvement RMB'000	Right-of-use assets RMB'000	Total RMB'000
Cost:					
At 1 January 2020	9,498	74	307	1,266	11,145
Additions	20,398	1,515	—	772	22,685
Disposals	(402)	—	—	—	(402)
At 31 December 2020	29,494	1,589	307	2,038	33,428
Additions	22,408	3,908	1,698	12,259	40,273
Disposals	(663)	—	—	—	(663)
Reclassification to inventories	(3,034)	—	—	—	(3,034)
At 31 December 2021	48,205	5,497	2,005	14,297	70,004
Accumulated depreciation:					
At 1 January 2020	3,919	23	213	760	4,915
Charge for the year	4,257	342	94	764	5,457
Written back on disposals	(191)	—	—	—	(191)
At 31 December 2020	7,985	365	307	1,524	10,181
Charge for the year	10,599	584	417	3,898	15,498
Written back on disposals	(240)	—	—	—	(240)
Reclassification to inventories	(394)	—	—	—	(394)
At 31 December 2021	17,950	949	724	5,422	25,045
Net book value:					
At 31 December 2021	30,255	4,548	1,281	8,875	44,959
At 31 December 2020	21,509	1,224	—	514	23,247

(b) Right-of-use assets

The right-of-use assets represented properties leased for owned use, carried at depreciated cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets	3,898	764
Interest on lease liabilities (Note 16(c))	298	22
Expense relating to short-term leases (Note 16(d))	3,780	4,437
COVID-19-related rent concessions received	—	(132)

The Group leases office premises under leases expiring in no more than three years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

The total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 16(d) and Note 19, respectively.

12 OTHER FINANCIAL ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Unlisted equity securities designated at FVOCI (non-recycling)	3,607	3,607

13 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Raw materials	4,093	3,559
Devices held for sale	3,590	—
	7,683	3,559

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	13,415	2,461

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For the year ended 31 December 2021

14 TRADE RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Receivables from third parties	34,693	12,806
Receivables from related parties	440	7,045
Less: loss allowance	(1,090)	(306)
Trade receivables, net	34,043	19,545

All of the trade receivables are expected to be recovered within one year.

(a) Ageing analysis of trade receivables

As of the end of the Reporting Period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 6 months	33,174	19,482
6 to 12 months	869	63
	34,043	19,545

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15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Deposits	2,051	5,139
Prepayments to suppliers	13,151	4,548
Prepayments as an agent (Note)	760	1,170
Others	3,440	565
Less: loss allowance	(165)	(325)
Deposits, prepayments and other receivables, net of loss allowance	19,237	11,097

Note: The Group entered into a number of contracts with its major customers to purchase specific hardware devices on behalf of such customers. As the Group acted as an agent in these transactions, the relevant payments made to suppliers by the Group are classified as prepayments as an agent and the amounts received by the Group are classified as receipt in advance as an agent.

16 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Cash at bank	1,784,648	374,698

Notes to the Consolidated Financial Statements

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16 CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of loss before taxation to cash used in operations:

	Note	2021 RMB'000	2020 RMB'000
Loss before taxation		(142,527)	(79,251)
Adjustments for:			
Depreciation	6(c)	15,498	5,457
Interest income from loans to a related party		—	(624)
Investment income from debt instruments and wealth management products		(5,994)	(2,966)
Interest expense	6(a)	298	22
Changes in the carrying amount of financial instruments issued to investors	22	—	27,316
Net loss on disposal of property, plant and equipment	5	56	—
Equity-settled share-based payment expenses	6(b)	6,542	11,058
Impairment of trade receivables	6(c)	784	279
Reversal of impairment of other receivables	6(c)	(160)	(256)
COVID-19-related rent concessions received	16(c)	—	(132)
Net foreign exchange loss		9,014	—
Changes in working capital:			
Increase in inventories		(1,484)	(3,559)
Increase in trade receivables		(15,282)	(3,312)
(Increase)/decrease in deposits, prepayments and other receivables		(7,980)	8,445
Increase/(decrease) in trade and other payables		21,803	(6,692)
Increase in contract liabilities		9,746	1,196
(Decrease)/increase in deferred income		(2,405)	163
Cash used in operations		(112,091)	(42,856)

Notes to the Consolidated Financial Statements

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16 CASH AND CASH EQUIVALENTS (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Note	Lease liabilities RMB'000 (Note 19)	Listing expense payable RMB'000	Total RMB'000
At 1 January 2021		519	—	519
Changes from financing cash flows:				
Capital element of lease rentals paid		(4,583)	—	(4,583)
Interest element of lease rentals paid		(298)	—	(298)
Listing expense paid		—	(77,378)	(77,378)
Total changes from financing cash flows		(4,881)	(77,378)	(82,259)
Other changes:				
Increase in lease liabilities from entering into new leases during the period		12,259	—	12,259
Interest expenses	6(a)	298	—	298
Listing expense capitalised		—	89,584	89,584
At 31 December 2021		8,195	12,207	20,402

Notes to the Consolidated Financial Statements

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16 CASH AND CASH EQUIVALENTS (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Note	Financial instruments issued to investors RMB'000 (Note 22)	Lease liabilities RMB'000 (Note 19)	Total RMB'000
At 1 January 2020		368,038	519	368,557
Changes from financing cash flows:				
Capital element of lease rentals paid		—	(642)	(642)
Interest element of lease rentals paid		—	(20)	(20)
Proceeds from the issue of financial instruments to investors		180,000	—	180,000
Total changes from financing cash flows		180,000	(662)	179,338
Other changes:				
Changes in the carrying amount of financial instruments issued to investors	22	27,316	—	27,316
Interest expenses	6(a)	—	22	22
Lease modifications		—	772	772
COVID-19-related rent concessions received		—	(132)	(132)
Reclassification of financial instruments issued to investors as equity	22	(575,354)	—	(575,354)
At 31 December 2020		—	519	519

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16 CASH AND CASH EQUIVALENTS (Continued)

(d) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2021 RMB'000	2020 RMB'000
Within operating cash flows	3,780	4,437
Within financing cash flows	4,881	662
	8,661	5,099

All these amounts relate to the lease rentals paid.

17 TRADE AND OTHER PAYABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade payables	5,711	2,877
Accrued payroll	14,843	7,050
Other payables and accrued charges:		
– receipt in advance as an agent	648	1,954
– listing expenses payable	14,798	—
– other taxes payable	4,850	2,043
– others	7,688	2,741
	48,538	16,665

All of the above balances classified as current liabilities are expected to be settled within one year.

At the end of the Reporting Period, the ageing analysis of trade payables presented based on the invoice date is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 6 months	5,711	2,877

Notes to the Consolidated Financial Statements

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18 CONTRACT LIABILITIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Advanced receipts for provision of AI-based software solutions	16,616	6,557
Advanced receipts for other services	462	775
	17,078	7,332

Movements in contract liabilities

	31 December 2021 RMB'000	31 December 2020 RMB'000
Balance at 1 January	7,332	6,136
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(6,918)	(6,061)
Increase in contract liabilities as a result of receiving advance payments during the year	16,664	7,257
Balance at 31 December	17,078	7,332

As at 31 December 2021, the amount of billing in advance of performance to be recognised as income after more than one year is RMB3,088,000 (31 December 2020: RMB414,000).

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19 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities as of the end of the reporting period:

	As at 31 December 2021		As at 31 December 2020	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	4,775	5,471	519	529
After 1 year but within 2 years	3,420	3,117	—	—
	8,195	8,588	519	529
Less: total future interest expenses		393		10
Present value of lease liabilities		8,195		519

20 DEFERRED TAX

Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB338,302,000 (31 December 2020: RMB173,794,000) due to the unpredictability of future taxable profits. The unrecognised tax losses will be expired as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
2026	1,069	1,069
2027	16,011	16,011
2028	36,086	36,086
2029	57,933	57,933
2030	62,695	62,695
2031	164,508	—
	338,302	173,794

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21 DEFERRED INCOME

	31 December 2021 RMB'000	31 December 2020 RMB'000
Government grants	—	2,405

These government grants are mainly for funding research and development expenditures undertaken by the Group. Conditional grants will be recognised as other income when the conditions attached to the grants were met.

22 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

On 22 February 2018, the Company entered into an investment agreement with several independent investors (the **“Series B Investment”**), pursuant to which the investors made a total investment of RMB100 million in the Company as consideration for subscription of the Company’s paid-in capital of RMB2,216,667.

On 30 November 2018, the Company entered into an investment agreement with several independent investors (the **“Series B+ Investment”**), pursuant to which the investors made a total investment of RMB185 million in the Company as consideration for subscription of the Company’s paid-in capital of RMB2,847,800. The Group also entered into an agreement with an investor in connection with Series B+ Investment (a forward contract), pursuant to which, the investor will purchase certain shares of the Company at a price equal to the purchase price as that of other investors of Series B+ Investment in the first year or at latest fair value if the purchase of shares is completed after one year from the date of agreement. The latter investor executed the forward contract in November 2019 and paid the RMB40 million as the consideration.

On 23 October 2020, the Company entered into an investment agreement with several independent investors (the **“Series C Investment”**), pursuant to which the investors made a total investment of RMB180 million in the Company as consideration for subscription of the Company’s paid-in capital of RMB889,221.

Notes to the Consolidated Financial Statements

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22 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (Continued)

The key terms of the Series B Investment, Series B+ Investment and Series C Investment (collectively, the “**financial instruments issued to investors**”) are summarised as follows:

— Liquidation preferences

In the event of any liquidation including deemed liquidation, dissolution or winding up of the Company, the investors of Series B shall be entitled to receive the amount equal to 120% original investment amount limited by the Company’s net assets.

The investors of Series B+ and C shall be entitled to receive the amount equal to the higher of (i) and (ii) below and limited by the Company’s net assets.

- i. the original investment amount plus per annum interest of 10% calculated on a simple basis; and
- ii. the net assets of the Company corresponding to its shareholding ratio.

— Anti-dilution right

If the Company increases its paid-in capital at a price lower than the price paid by the investors on a per paid-in capital basis, the investors have a right to require the Company to issue more new paid-in capital for nil consideration (or nominal consideration) to the investors, so that the total amount paid by the investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

— Redemption right

The Series B and Series B+ Investment shall be redeemed by the Company, at the option of the investors, upon the occurrence of certain contingent events, including: (i) Qualified IPO has not been consummated by the 7th anniversary after completion of Series B Investment, or (ii) the Company fails to accomplish certain business commitments.

The investors of Series B and Series B+ Investment shall be entitled to receive the redemption amount equal to the higher of (i) and (ii) below.

- i. the original investment amount plus per annum interest of 10% calculated on a simple basis; and
- ii. the net assets of the Company corresponding to its shareholding ratio.

The investors of Series C Investment do not have such redemption right.

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22 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS (Continued)

Presentation and classification

The Company recognised the financial instruments issued to investors as financial liabilities, because not all triggering payment events mentioned in the key terms above were within the control of the Company and these financial instruments did not meet the definition of equity for the Company. The financial liabilities were measured at the present value of the redemption amount.

Any changes in the carrying amount of the financial liabilities were recorded in “changes in the carrying amount of financial instruments issued to investors” in the consolidated statement of profit or loss.

The movements of the financial liabilities element of the financial instruments issued to investors are set out below:

	2020 RMB'000
At 1 January	368,038
Issue	180,000
Changes in the carrying amount	27,316
Reclassification to equity (note)	(575,354)
At 31 December	—

Note: In 2020, the Company entered into a supplementary investment agreement with investors of the Series B Investment, Series B+ Investment and Series C Investment, pursuant to which the investors agreed to waive liquidation preferences and redemption right. The directors of the Company considered that these financial instruments meet the definition of equity of the Company, and therefore these financial instruments were all reclassified from financial liabilities to equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Share options

A share option scheme was authorised since 2016 to incentivise employees. Certain options were vested immediately. The remaining options will be vested in three tranches, being 50% after two years and 25% after the third year and 25% after the fourth year from the date of grant and are then exercisable within a period of three years.

(i) The number and weighted average exercise prices of share options are as follows:

	As at 31 December 2021		As at 31 December 2020	
	Weighted average exercise price RMB	Number of options	Weighted average exercise price RMB	Number of options
Outstanding at the beginning of the year	—	—	1.37	25,452,752
Forfeited during the year	—	—	1.37	(776,692)
Granted during the year	—	—	4.06	5,323,431
Exercised during the year	—	—	1.85	(29,999,491)
Outstanding at the end of the year	—	—	—	—
Exercisable at the end of the year	—	—	—	—

Pursuant to a resolution in November 2020, the service period requirement was waived and all the options were exercisable immediately.

(ii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model.

	2020
Fair value at measurement date (RMB)	0.82/1.14/1.45
Share price (RMB)	2.32
Exercise price (RMB)	1.33/4.39
Expected volatility (expressed as weighted average volatility used in the modeling under binomial lattice model)	54%
Expected dividends	0%
Risk-free interest rate	2.59%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(b) Restricted share unit (RSU) Scheme of the Company

During the year ended 31 December 2021, 2,319,588 restricted share units were granted to certain director and employees of the Group at a price of RMB13.87 per share unit. The RSUs granted on 1 November 2021 will be vested in tranches of 25% each at the end of the fourth month, the sixteenth month, the twenty-eighth month and fortieth month, respectively, from the date of grant upon the achievement of service period condition. The RSUs granted on 31 December 2021 are subject to a vesting scale in tranches of 25% each per annum from the date of grant upon the achievement of service period condition.

The number and movements of RSU are as follows:

	2021 Number of RSU
Outstanding at the beginning of the year	—
Granted during the year	
— Director	260,689
— Other employees	2,058,899
Outstanding at the end of the year	2,319,588

As at 31 December 2021, all the RSUs remained unvested. The fair value of the RSU was determined based on the difference between the market share price at the grant date and the price of the RSU payable by the grantee of RMB13.87 per share unit. The weighted average grant date fair value of these RSUs issued on 1 November 2021 and 31 December 2021 is RMB61.73 and RMB31.40 per share unit respectively.

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For the year ended 31 December 2021

24 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the year is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Issued capital		Share premium RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
	Paid-in capital RMB'000	Share capital RMB'000				
At 1 January 2021	—	75,000	330,345	23,909	(23,643)	405,611
Changes in equity for 2021:						
Loss for the year	—	—	—	—	(151,952)	(151,952)
Total comprehensive income	—	—	—	—	(151,952)	(151,952)
Issuance of ordinary shares (Note 24(c))	—	3,981	234,818	—	—	238,799
Shares issued upon initial public offering ("IPO") (Note 24(c))	—	22,267	1,262,802	—	—	1,285,069
Contributions from a shareholder	—	—	—	23,598	23,598	—
Equity-settled share-based transactions	—	—	—	6,542	—	6,542
	—	26,248	1,497,620	30,140	—	1,554,008
At 31 December 2021	—	101,248	1,827,965	54,049	(175,595)	1,807,667

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

24 CAPITAL AND RESERVES (Continued)

(a) Movements in components of equity (Continued)

	Issued capital		Share premium RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
	Paid-in capital RMB'000	Share capital RMB'000				
At 1 January 2020	11,888	—	—	5,232	(173,844)	(156,724)
Changes in equity for 2020:						
Loss for the year	—	—	—	—	(83,813)	(83,813)
Total comprehensive income	—	—	—	—	(83,813)	(83,813)
Paid in capital contributions from shareholders	2,933	—	—	—	—	2,933
Issuance of financial instruments to investors (Note 22)	889	—	—	177,696	—	178,585
Recognition of financial instruments issued to investors as non-current liabilities (Note 22)	—	—	—	(180,000)	—	(180,000)
Reclassification of financial instruments issued to investors as equity (Note 22)	—	—	—	575,354	—	575,354
Conversion into a joint stock company with limited liability (Note 24(c))	(15,710)	15,710	331,417	(565,431)	234,014	—
Issuance of ordinary shares	—	296	57,922	—	—	58,218
Capitalisation issue (Note 24(c))	—	58,994	(58,994)	—	—	—
Equity settled share-based transactions	—	—	—	11,058	—	11,058
	(11,888)	75,000	330,345	18,677	234,014	646,148
At 31 December 2020	—	75,000	330,345	23,909	(23,643)	405,611

(b) Dividends

The directors of the Company did not propose the payment of any dividend for the year (2020: nil).

Notes to the Consolidated Financial Statements

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24 CAPITAL AND RESERVES (Continued)

(c) Paid in capital/share capital

(i) Registered and paid-up capital

For the purpose of this report, the paid-in capital of the Group represents the paid-in capital of the Company before it was converted into a joint stock company with limited liability.

	RMB'000
At 1 January 2020	11,888
Paid in capital contributions from shareholders	2,933
Issuance of financial instruments to investors	889
Conversion into a joint stock limited liability company (Note (i))	(15,710)
At 31 December 2020 and 2021	—

(ii) Issued share capital

	Number of ordinary shares '000	Amount RMB'000
Issued and fully paid:		
At 1 January 2020	—	—
Issue of ordinary shares upon conversion into a joint stock company with limited liability (Note (i))	15,710	15,710
Issuance of ordinary shares (Note (ii))	296	296
Capitalisation issue (Note (iii))	58,994	58,994
At 31 December 2020 and 1 January 2021	75,000	75,000
Issuance of ordinary shares (Note (iv))	3,981	3,981
Issuance of ordinary shares upon IPO (Note (v))	22,267	22,267
At 31 December 2021	101,248	101,248

Notes to the Consolidated Financial Statements

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24 CAPITAL AND RESERVES (Continued)

(c) Paid in capital/share capital (Continued)

(ii) Issued share capital (Continued)

Notes:

- (i) On 28 December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, amounting to RMB347,127,000, were converted into 15,709,577 ordinary shares with nominal value of RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium account.
- (ii) On 29 December 2020, the Company entered into an investment agreement with several independent investors (the "**Series C+ Investment**"), pursuant to which the investors made a total investment of RMB60,000,000 in the Company as consideration for subscription of 296,407 shares of the Company.
- (iii) On 29 December 2020, pursuant to the resolution passed by the equity shareholders of the Company, the Company converted RMB58,994,000 from share premium to share capital and issued 58,994,000 ordinary shares with nominal value of RMB1.00 each to its shareholders on a pro rata basis.
- (iv) On 30 April 2021, the Company entered into an investment agreement with several independent investors (the "**Series D Investment**"), pursuant to which the investors made a total investment of US\$38,000,000 in the Company as consideration for subscription of 3,981,225 shares of the Company.
- (v) On 5 November 2021, the Company issued 22,267,200 ordinary shares with a par value of RMB1.00 each, at a price of HK\$75.1 per share upon the listing of the shares on the HK Stock Exchange. The proceeds of RMB22,267,200, representing the par value, were credited to the Company's share capital. The remaining proceeds of RMB1,285,069,000 (net of share issuance expenses of RMB89,584,000), were credited to the share premium account.

(d) Nature and purpose of reserves

(i) Other reserve

Other reserve mainly represents the share premium contributed by the shareholders of the Company before its conversion into a joint stock company in December 2020, grant date fair value of share options and RSUs granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(p)(ii), contributions from shareholders, and the difference between the considerations of acquisition of equity interests from non-controlling equity owners and the carrying amount of the proportionate net assets.

As disclosed in Note 22, the financial instruments issued to investors did not meet the definition of equity for the Company. Therefore, the Company identified the financial instruments as liabilities and reclassified from other reserve to current liabilities. When all triggering payment events mentioned in the key terms were within the control of the Company, corresponding liabilities were reclassified from current liabilities to other reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

24 CAPITAL AND RESERVES (Continued)

(d) Nature and purpose of reserves (Continued)

(ii) **Share premium**

The share premium represents the premium contributed by the shareholders of the Company after its conversion into a joint stock company in December 2020, and proceeds in excess of par value received from the issuance of the shares of the Company.

(iii) **Exchange reserve**

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than the RMB.

(iv) **Fair value reserve (non-recycling)**

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 2(d)).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's overall strategy remained unchanged during the year.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes lease liabilities) less cash and cash equivalents. Capital comprises all components of equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

24 CAPITAL AND RESERVES (Continued)

(e) Capital management (Continued)

As at 31 December 2020 and 2021, the Group's adjusted net debt-to-capital ratio was as follows:

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Current liabilities:			
Lease liabilities	19	4,775	519
Non-current liabilities:			
Lease liabilities	19	3,420	—
Total debt		8,195	519
Less: Cash and cash equivalents	16(a)	(1,784,648)	(374,698)
Adjusted net debt		(1,776,453)	(374,179)
Capital		1,819,986	408,450
Adjusted net debt-to-capital ratio		N/A	N/A

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's exposure to credit risk arising from other receivables is limited. Credit risk arising from cash and cash equivalents is also limited because the counterparties are state-owned banks or reputable commercial banks for which the Group considers to have low credit risk. The Group's credit risk is primarily attributable to trade receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

(i) Trade receivables

The Group's exposure to credit risk arising from trade receivables is influenced mainly by the individual characteristics of each customer. The default risk of the industry or country in which the customers operate also has an influence on credit risk. As at 31 December 2021 64% (31 December 2020: 95%) of the total trade receivables was due from the Group's top five customers. Trade receivables are generally due within 60 to 120 days from the date of billing.

The Group measures loss allowances for trade receivables at lifetime ECL. The Group determines ECL by using a provision matrix, estimated based on historical credit loss experience, the past default experience of the debtor, general economic conditions of the industry and country in which the debtors operates and an assessment of both the current and the forecast duration of condition as of the end of each reporting period. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	Expected loss rate %	31 December 2021 Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.00%	33,408	(334)
1-180 days past due	8.50%	907	(77)
181-360 days past due	76.00%	579	(440)
Past due over 1 year	100.00%	239	(239)
		35,133	(1,090)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

(i) Trade receivables (Continued)

	Expected loss rate %	31 December 2020 Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.40%	19,187	(76)
1–180 days past due	0.70%	399	(3)
181–360 days past due	30.00%	55	(17)
Past due over 1 year	100.00%	210	(210)
		19,851	(306)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021 RMB'000	2020 RMB'000
Balance at 1 January	306	27
Impairment loss recognised during the year	784	279
At 31 December	1,090	306

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2021					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables measured at amortised costs (Note 17)	48,538	—	—	—	48,538	48,538
Lease liabilities (Note 19)	5,471	3,117	—	—	8,588	8,195
	54,009	3,117	—	—	57,126	56,733

	As at 31 December 2020					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables measured at amortised costs (Note 17)	16,665	—	—	—	16,665	16,665
Lease liabilities (Note 19)	529	—	—	—	529	519
	17,194	—	—	—	17,194	17,184

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For the year ended 31 December 2021

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group and the Company are primarily exposed to fair value interest rate risk in relation to lease liabilities, financial instruments issued to investors and cash flow risk in relation to variable-rate bank balances. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Company considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant because the current market interest rates are relatively low and stable.

(d) Currency risk

The group is exposed to currency risk primarily through IPO which give rise to cash balance that are denominated in a foreign currency. The currencies giving rise to this risk are primarily Hong Kong dollars (“HKD”) and United States dollars (“USD”).

(i) Exposure to currency risk

The following table details the Group’s exposure as at the end of reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year/period end date.

	As at 31 December			
	2021		2020	
	USD RMB’000	HKD RMB’000	USD RMB’000	HKD RMB’000
Cash and cash equivalents	224,055	1,311,380	2,036	—

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25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	As at 31 December 2021		As at 31 December 2020	
	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses
USD	5% (5%)	11,203 (11,203)	5% (5%)	102 (102)
HKD	5% (5%)	65,569 (65,569)	5% (5%)	— —

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The fair value measurement of unlisted equity securities falls into level 2 of the fair value hierarchy and the fair value is determined using recent transaction price.

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

26 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following significant related party transactions during the year:

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8, and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	8,873	4,509
Post-employment benefits	320	24
Equity-settled share-based payment	267	2,038
	9,460	6,571

Total remuneration was included in "staff costs" (see Note 6(b)).

(b) Other significant transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

	2021 RMB'000	2020 RMB'000
Trade nature		
Provision of AI-based software solutions to a fellow subsidiary of a minority shareholder	10,749	9,922
Non-trade nature		
Interest income from a company controlled by a director (note)	—	624

Note: In December 2019, the Group provided a short-term loan of RMB20,000,000 to a company controlled by a director with an interest rate at 4.35% per annum. The loan was repaid to the Group in September 2020.

Notes to the Consolidated Financial Statements

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26 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties as at the end of the reporting period:

Details of the outstanding balances with related parties are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade related balances due from a fellow subsidiary of a minority shareholder		
— Trade receivables	440	7,045
— Deposits, prepayments and other receivables	30	30

27 INVESTMENT IN SUBSIDIARIES

As at 31 December 2021, the Company has direct or indirect interests in the following principal subsidiaries:

Name of company	Place of incorporation and operation	Particulars of registered and paid-up capital	Proportion of ownership interest		Principal activities
			Directly held by the Company	Indirectly held by the Company	
Shanghai Airdoc Medical Technology Co., Ltd. ("Airdoc Shanghai") (上海鷹瞳醫療科技有限公司) (i)	The PRC	RMB10,000,000 RMB5,700,000	100%	—	Sale of hardware devices and provision of AI-based software solutions
Beijing Airdoc Health Technology Co., Ltd. ("Airdoc Beijing") (北京鷹瞳健康科技有限公司) (i)	The PRC	RMB1,000,000	—	100%	Sale of hardware devices and provision of AI-based software solutions
Shanghai Zhongyou Intelligent Technology Co., Ltd. ("Shanghai Zhongyou") (上海眾佑智能科技有限公司) (i)	The PRC	RMB5,000,000 RMB1,100,000	100%	—	Sale of hardware devices and provision of AI-based software solutions
Airdoc Technology (HK) Limited	Hong Kong	USD2,000,000 USD2,000,000	100%	—	Sale of hardware devices and provision of AI-based software solutions

(i) All these subsidiaries are domestic limited liability companies.

All companies comprising the Group have adopted 31 December as their financial year end date.

In October 2020, Airdoc Shanghai acquired non-controlling interests of Airdoc Beijing at a consideration of RMB223,000, increasing its ownership from 51% to 80%.

In May 2021, Airdoc Beijing's non-controlling shareholder, Airdoc Beijing Technology Center (Limited Partnership) transferred the 20% equity interest in Airdoc Beijing to Airdoc Shanghai at nil consideration and since then, Airdoc Beijing became a wholly-owned subsidiary of the Group.

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28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

		31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment		11,044	1,447
Investment in subsidiaries	27	27,011	15,064
		38,055	16,511
Current assets			
Trade receivables		33,774	8,510
Deposits, prepayments and other receivables		200,853	23,205
Cash and cash equivalents		1,590,876	366,425
		1,825,503	398,140
Current liabilities			
Trade and other payables		52,289	8,160
Contract liabilities		266	75
Lease liabilities		3,047	—
		55,602	8,235
Net current assets		1,769,901	389,905
Total assets less current liabilities		1,807,956	406,416
Non-current liabilities			
Lease liabilities		289	—
Deferred income		—	805
		289	805
Net assets		1,807,667	405,611
Capital and reserves			
Share capital	24	101,248	75,000
Reserves	24	1,706,419	330,611
Total equity		1,807,667	405,611

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29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR

Up to the date of issue of this report, the IASB has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37, Onerous Contracts Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018–2020 Cycle	1 January 2022
IFRS 17, Insurance Contracts and amendments to IFRS 17, Insurance Contracts	1 January 2023
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 4, Extension of the temporary exemption from applying IFRS 9	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*

* The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Definitions and Glossary of Technical Terms

“AI”	artificial intelligence
“Airdoc Beijing”	Beijing Airdoc Health Technology Co., Ltd.* (北京鷹瞳健康科技有限公司), a company established in the PRC with limited liability on August 30, 2018 and an indirect wholly owned subsidiary of our Company
“Airdoc Beijing Intelligence”	Beijing Airdoc Intelligence Technology Co., Ltd.* (北京鷹瞳智能科技有限公司), a company established in the PRC with limited liability on October 14, 2021 and a wholly owned subsidiary of our Company
“Airdoc Beijing Medical”	Beijing Airdoc Medical Technology Co., Ltd. (北京鷹瞳醫療科技有限公司), a company established in the PRC with limited liability on November 12, 2021 and a wholly owned subsidiary of our Company
“Airdoc Guangzhou”	Guangzhou Airdoc Medical Technology Co., Ltd.* (廣州鷹瞳醫療科技有限公司), a company established in the PRC with limited liability on August 22, 2017 and a wholly owned subsidiary of our Company
“Airdoc HK”	Airdoc Technology (HK) Limited, a company incorporated in Hong Kong with limited liability on February 26, 2020 and a wholly owned subsidiary of our Company
“Airdoc Shanghai”	Shanghai Airdoc Medical Technology Co., Ltd.* (上海鷹瞳醫療科技有限公司), a company established in the PRC with limited liability on July 26, 2017 and a wholly owned subsidiary of our Company
“Airdoc Tianjin Healthcare”	Tianjin Airdoc Healthcare Co., Ltd. (天津鷹瞳綜合門診部有限公司), a company established in the PRC with limited liability on December 1, 2021 and a wholly owned subsidiary of our Company
“Airdoc Tianjin Internet Hospital”	Tianjin Airdoc Internet Hospital Co., Ltd. (天津鷹瞳互聯網醫院有限公司), a company established in the PRC with limited liability on November 19, 2021 and a wholly owned subsidiary of our Company
“Airdoc Universe”	Beijing Airdoc Universe Technology Center L.P.* (北京鬱金香宇宙科技中心(有限合夥)), a limited partnership established in the PRC on February 22, 2016 and an employee incentive platform of our Group
“AGM”	the annual general meeting of the Company to be held at May 19, 2022 or any adjournment thereof
“Articles of Association”	the articles of association of the Company adopted on May 12, 2021, which will become effective upon the Listing Date, as amended from time to time
“ASCVD”	atherosclerotic cardiovascular disease
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“AUC”	area under the receiver operating characteristic curve (ROC curve), a measurement of the ability of a model to distinguish between positive and negative cases
“Audit Committee”	the audit committee of the Board

Definitions and Glossary of Technical Terms

“Board” or “Board of Directors”	the board of directors of our Company
“Board of Supervisors”	the board of supervisors of the Company
“CAGR”	compound annual growth rate
“CDR”	cup to disc ratio, a measurement used in ophthalmology and optometry to assess the progression of glaucoma
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China” and the “PRC” do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Class III medical device”	medical devices with relatively high risks, which shall be strictly controlled and administered through special measures to ensure their safety and effectiveness under the Regulation on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)
“CNIPA”	the National Intellectual Property Administration of the PRC (國家知識產權局)
“Co-Founders”	Mr. Gao and Mr. Chen
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “the Company”	Beijing Airdoc Technology Co., Ltd. (北京鷹瞳科技發展股份有限公司), a joint stock company incorporated in the PRC with limited liability on September 9, 2015
“Concert Party Agreement”	the agreement entered into between Mr. Zhang, Mr. Chen and Mr. Gao on October 14, 2016, pursuant to which Mr. Chen and Mr. Gao have undertaken to, among other things, vote unanimously with Mr. Zhang for any resolutions proposed at any Board and Shareholders’ meetings of our Company
“connected transaction”	has the meaning ascribed thereto under the Listing Rules
“Core Product(s)”	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this prospectus, our Core Product refers to our Airdoc-AIFUNDUS
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets

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“Director(s)”	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
“Domestic Share(s)”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by domestic investors
“Founder”	Mr. Zhang
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Greater China”	PRC, Hong Kong, Macau and Taiwan
“Airdoc”, “Group”, “we” or “us”	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Guowei Jian’an”	Beijing Guowei Jian’an Technology Co., Ltd.* (北京國衛健安科技有限公司), a company established in the PRC with limited liability on January 23, 2018 and a subsidiary of our Company
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are to be listed on the Stock Exchange and traded in Hong Kong dollars
“H Share Registrar”	Tricor Investor Services Limited
“IASB”	International Accounting Standards Board
“ICVD”	ischemic cardiovascular disease, including myocardial infarction and cerebral infarction
“IFRS”	International Financial Reporting Standards
“Listing” or “IPO”	the listing of our Shares on the Stock Exchange
“Listing Date”	the date expected to be on or about November 5, 2021, on which dealings in our H Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange

Definitions and Glossary of Technical Terms

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Mr. Chen”	Mr. Chen Mingqiang (陳明強), one of our Co-Founders and a member of the Single Largest Group of Shareholders
“Mr. Gao”	Mr. Gao Fei (高斐), one of our Co-Founders, an executive Director and a member of the Single Largest Group of Shareholders
“Mr. Zhang”	Mr. Zhang Dalei (張大磊), our Founder, the chairman of the Board, an executive Director and a member of the Single Largest Group of Shareholders
“NASDAQ”	the Nasdaq Stock Market
“NMPA”	the National Medical Products Administration of China (國家藥品監督管理局) or, where the context so requires, its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局), or CFDA
“Nomination Committee”	the nomination committee of the Board
“OEM”	acronym for original equipment manufacturer, a business that manufactures goods or equipment for branding and release by others
“Ping An Healthtech”	Ping An Healthtech Co., Ltd. (平安醫療科技有限公司), a company established in the PRC with limited liability on September 28, 2017
“pricing guidance”	a guidance issued by governmental authorities, which is a pre-requisite for the public hospitals to set specific charging items for medical service and charge patients accordingly
“Prospectus”	the prospectus issued by the Company dated October 26, 2021
“Reporting Period”	the year ended December 31, 2021
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“R&D”	Research and Development
“SaMD(s)”	Software as a Medical Device, a class of medical software designed to carry out one or more medical functions without the need for actual hardware
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Zhongyou”	Shanghai Zhongyou Intelligent Technology Co., Ltd.* (上海眾佑智能科技有限公司), a company established in the PRC with limited liability on July 25, 2017 and a wholly owned subsidiary of our Company

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“Share(s)”	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Shiji Sisu”	Beijing Shi Ji Si Su Technology Co., Ltd.* (北京世紀思速科技有限公司), a company established in the PRC with limited liability on May 31, 2009
“Single Largest Group of Shareholders”	refers to Mr. Zhang, Mr. Chen, Mr. Gao and Airdoc Universe, details of which are set out in the section headed “Relationship with our Single Largest Group of Shareholders” in the Prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategy Committee”	the strategy committee of the Board
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Sogou Information”	Beijing Sogou Information Service Co., Ltd* (北京搜狗信息服務有限公司), a company established in the PRC with limited liability on December 28, 2005
“Supervisor(s)”	supervisor(s) of our Company
“Suqian Airdoc”	Suqian Airdoc Technology Center (Limited Partnership)* (宿遷鷹瞳科技中心(有限合夥)), a limited partnership established in the PRC on October 13, 2020 and an employee incentive platform of our Group
“Suqian Zhongyou”	Suqian Zhongyou Technology Center (Limited Partnership)* (宿遷眾佑科技中心(有限合夥)), a limited partnership established in the PRC on November 10, 2020 and an employee incentive platform of our Group
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“Unlisted Foreign Share(s)”	unlisted ordinary Share(s) issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for in a currency other than RMB
“Yadong Beichen”	Yadong Beichen Venture Investment Co., Ltd.* (亞東北辰創業投資有限公司), previously known as Yadong Beichen Investment Management Co., Ltd.* (亞東北辰投資管理有限公司), a company established in the PRC with limited liability on August 2, 2013

For the purpose of this annual report, references to “provinces” of China include provinces, municipalities under direct administration of the central government and provincial-level, autonomous regions.