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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The Board of the Company is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2021, together with the comparative audited figures for the corresponding period of 2020 as follows. The consolidated financial statements of the Group for the Reporting Period prepared under the International Financial Reporting Standards have been reviewed by the Audit Committee and audited by the Company's auditors, KPMG.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

FINANCIAL SUMMARY

	For the year ended December 31,	
	2021	2020
	(audited)	(audited)
	RMB' 000	*RMB' 000*
Revenue	**115,181**	47,672
Cost of sales	**(44,940)**	(18,585)
Gross profit	**70,241**	29,087
Loss from operations	**(142,229)**	(51,913)
Loss before taxation	**(142,527)**	(79,251)
Loss for the year	**(142,527)**	(79,626)
Loss per share		
— Basic and diluted (RMB)	**(1.76)**	(1.36)

	As of December 31,	
	2021	2020
	(audited)	(audited)
	RMB' 000	*RMB' 000*
Financial Position		
Non-current assets	**48,566**	26,854
Current assets	**1,845,611**	408,899
Non-current liabilities	**3,420**	2,405
Current liabilities	**70,771**	24,898
Net assets	**1,819,986**	408,450
Total equity attributable to equity shareholders of the Company	**1,819,986**	408,212
Non-controlling interests	**—**	238

BUSINESS SUMMARY

- In 2021, we had detected 4,864,414 cases via our SaMDs and health risk assessment solutions.
- In 2021, we had approximately 2,000 to 3,000 service sites on a monthly basis where day-to-day diagnosing activities via SaMDs and assessing activities via health risk assessment solutions were conducted.
- In 2021, the number of our customers increased to 244.
- In 2021, our Airdoc-AIFUNDUS (1.0) was sold to 41 hospitals and 36 community clinics in China.

- In March 2021, we received a Class II medical device certificate from the Shanghai branch of the NMPA for our AI-FUNDUSCAMERA-P.

- 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.

- In August 2021, we jointly published the research results based on a national real-world evidence study regarding the application of Comprehensive Artificial intelligence Retinal Expert (CARE) system on the Lancet together with Zhongshan Ophthalmic Center, Sun Yat-sen University.

- In September 2021, we jointly published the research results regarding the artificial intelligence-based detection of epimacular membrane from color fundus photographs on the Scientific Reports, a Nature series, together with Beijing Tisnghua Changgung Hospital.

- In November 2021, we commenced our multi-center clinical trial for our Airdoc-AIFUNDUS (2.0).

- In January 2022, we received a Class II medical device registration certificate for our cataracts detection SaMD from the Shanghai branch of the NMPA.

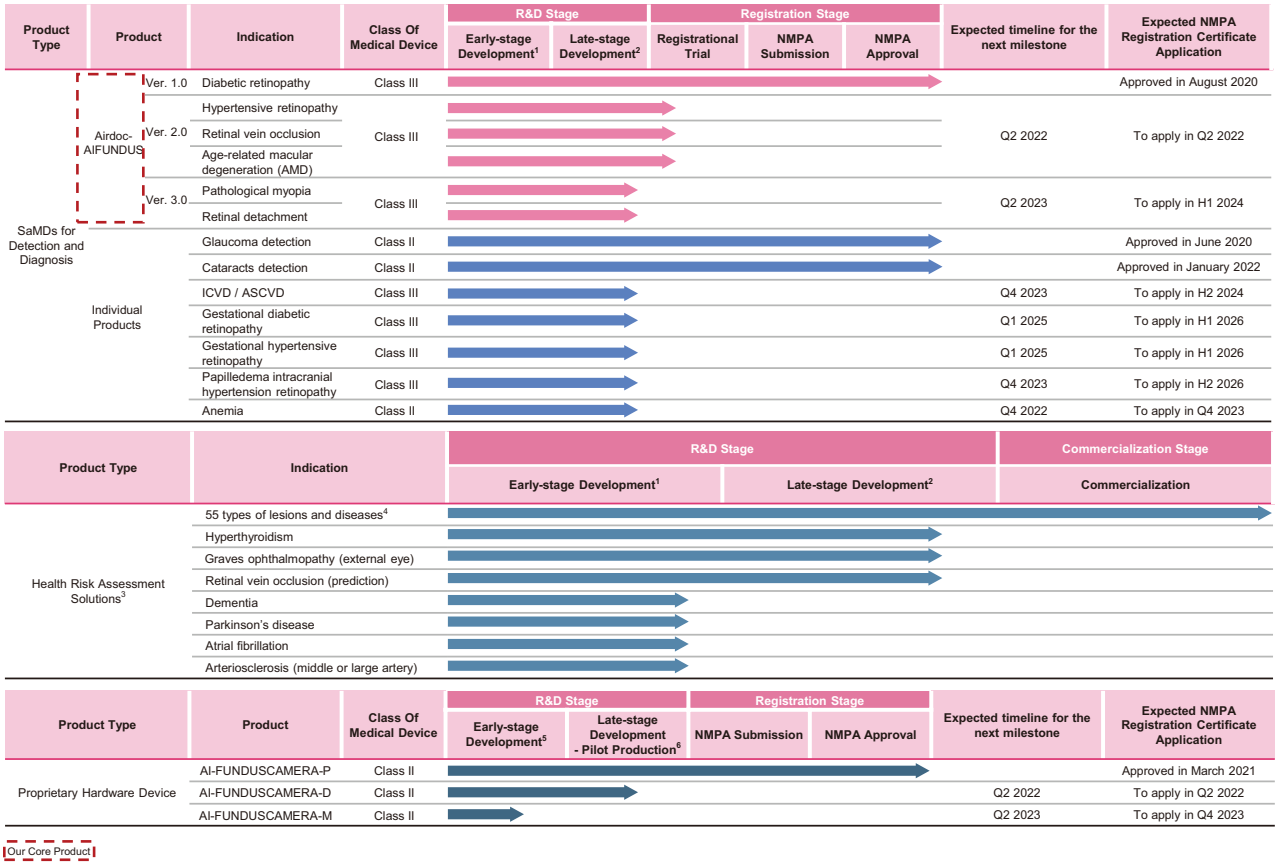
MANAGEMENT DISCUSSION AND ANALYSIS

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 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 announcement:



Note:

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.

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.

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 announcement 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.

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 announcement, we have developed over 80 deep learning algorithms to cover a comprehensive range of diseases, lesions and health risks.

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.

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 day-to-day diagnosing activities via SaMDs and assessing activities via health risk assessment solutions were conducted. 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.

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 announcement, 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).

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. 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 our Airdoc-AIFUNDUS (1.0) for the year ended December 31, 2021. 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.

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.

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) leasing expenses for our R&D facilities; (v) depreciation expenses in relation to our R&D equipment and facilities; and (vi) others, which primarily include travel expenses, utilities expenses and other general office expenses for R&D activities.

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 RMB15.4 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 RMB1.9 million in other R&D 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.

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.

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.

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.

OTHER INFORMATION

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.

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.

Significant Investments, Material Acquisitions and Disposals

During the year ended December 31, 2021, we did not make any significant investments or material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments or Capital Assets

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

Capital Expenditures

Our 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, our capital expenditure was RMB21.9 million and RMB28.0 million, respectively. The increase in our capital expenditures was primarily due to the increase of purchase and manufacturing of fundus cameras as a result of our business growth, as well as related to purchasing servers used in our operations, and optimizing our deep learning algorithms and improving our engineering infrastructure.

Capital Commitments

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

Contingent Liabilities

As of December 31, 2021, we 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

Our financial statements are expressed in RMB, but certain of our cash and cash equivalents are denominated in foreign currencies, and are exposed to foreign currency risk. We currently do 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.

Employees and Remuneration

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

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**

Events After the Reporting Period

No important events affecting the Group occurred since the Reporting Period and up to the date of this announcement.

Dividends

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

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.

Compliance with Laws and Regulations

Our operations are carried out in the PRC, while our 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 announcement, we have complied with relevant laws and regulations that have a significant impact on us in the applicable jurisdictions.

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, our 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 the material adverse effect on the Group's commercialization for 2021.

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 announcement, we had no suspected or confirmed positive COVID-19 cases on our premises or among our employees. We will continue to implement appropriate measures as necessary to ease the impact of the COVID-19 outbreak on our operations. However, considering the evolving situation, we cannot guarantee that the outbreak of COVID-19 and its variants will not further escalate or have a material adverse effect on our business operations going forward.

Annual General Meeting

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

Closure of Register of Members

For the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, 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 qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with 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.

Review of Financial Statements

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. 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 the annual results of the Group for the year ended December 31, 2021 and has recommended for the Board's approval thereof. The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Company and the audited consolidated financial statements for the year ended December 31, 2021. The Audit Committee reviewed and considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

Scope of Work of the Auditor

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out herein have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no assurance conclusion has been expressed by the auditor on this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021
(Expressed in RMB)

	Note	**2021** ***RMB'000***	2020 *RMB'000*
Revenue	*3*	**115,181**	47,672
Cost of sales		**(44,940)**	(18,585)
Gross profit		**70,241**	29,087
Other income	*4*	**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		**(298)**	(22)
Changes in the carrying amount of financial instruments issued to investors		**—**	(27,316)
Loss before taxation		**(142,527)**	(79,251)
Income tax	*5*	**—**	(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	*6*		
Basic and diluted (RMB)		**(1.76)**	(1.36)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021
(Expressed in RMB)

	2021	2020
	RMB'000	*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)

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		**44,959**	23,247
Other financial assets		**3,607**	3,607
		48,566	26,854
Current assets			
Inventories		**7,683**	3,559
Trade receivables	*8*	**34,043**	19,545
Deposits, prepayments and other receivables		**19,237**	11,097
Cash and cash equivalents		**1,784,648**	374,698
		1,845,611	408,899
Current liabilities			
Trade and other payables	*9*	**48,538**	16,665
Contract liabilities		**17,078**	7,332
Lease liabilities		**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
Non-current liabilities			
Lease liabilities		**3,420**	—
Deferred income		**—**	2,405
		3,420	2,405
Net assets		**1,819,986**	408,450

	Note	**31 December 2021** ***RMB'000***	31 December 2020 *RMB'000*
Capital and reserves			
Share capital		**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

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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**").

2 CHANGES IN ACCOUNTING POLICIES

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.

3 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	2020
	RMB'000	*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	2020
	RMB'000	*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

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

	2021	2020
	RMB'000	*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.

(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	2020
	RMB'000	*RMB'000*
Mainland China	**114,299**	47,485
Others	**882**	187
	115,181	47,672

	Non-current assets	
	31 December 2021	31 December 2020
	RMB'000	*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.

4 OTHER INCOME

	2021	2020
	RMB'000	*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

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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

	2021	2020
	RMB'000	*RMB'000*
Loss before taxation	**(142,527)**	(79,251)
Notional tax on loss before taxation, calculated at the applicable rates in the tax jurisdications concerned (i)(v)	**(35,633)**	(19,755)
Effect of preferential tax rate (ii)(iv)	**17,024**	5,795
Effect of additional deduction on R&D 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.

6 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.

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

	2021	2020
	RMB'000	*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	2020
	'000	*'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.

7 DIVIDENDS

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

8 TRADE RECEIVABLES

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

Trade receivables are generally due within 60 to 120 days from the date of billing.

9 TRADE AND OTHER PAYABLES

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

PUBLICATION OF THE 2021 CONSOLIDATED ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (**www.hkexnews.hk**) and the company's website (**www.airdoc.com**). The annual report for the year ended December 31, 2021 containing all the information in accordance with the requirements under the Listing Rules, will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"AI"	artificial intelligence
"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
"AGM"	the annual general meeting of the Company to be held at May 19, 2022 or any adjournment thereof
"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
"Board"	the board of directors of our Company
"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 announcement and for geographical reference only and except where the context requires, references in this announcement 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》)
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"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
"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)
"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
"Global Offering"	the Hong Kong Public Offering and the International Offering

"Group"	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)
"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
"ICVD"	ischemic cardiovascular disease, including myocardial infarction and cerebral infarction
"Listing" or "IPO"	the listing of our Shares on the Stock Exchange on November 5, 2021
"Listing Date"	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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"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
"OEM"	acronym for original equipment manufacturer, a business that manufactures goods or equipment for branding and release by others
"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
"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
"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)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Supervisor(s)"	supervisor(s) of our Company
"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

For the purpose of this announcement, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level, autonomous regions

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

Hong Kong, March 17, 2022

As of the date of this announcement, the Board comprises Mr. ZHANG Dalei, Mr. GAO Fei, Dr. CHEN Yuzhong and Mr. CHEN Hailong as executive Directors; Mr. JIANG Bo and Ms. WANG Mi as non-executive Directors; and Mr. NG Kong Ping Albert, Mr. WU Yangfeng and Mr. HUANG Yanlin as independent non-executive Directors.