

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Rainmed Medical Limited

潤邁德醫療有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2297)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS

	Year Ended December 31,		Change
	2022	2021	
	<i>RMB million</i>	<i>RMB million</i>	
	(Except percentage)	(Except percentage)	
	(audited)	(audited)	
Revenue	83.6	81.2	3.0%
Gross profit	69.8	69.0	1.2%
Gross profit margin	83.5%	85.0%	
Loss attributable to Shareholders of the Company	(1,346.0)	(633.6)	112.4%
Adjusted non-HKFRS loss attributable to Shareholders of the Company ^{Note}	(100.9)	(51.7)	95.2%
	<i>RMB</i>	<i>RMB</i>	
Loss per share			
— Basic and diluted	(1.50)	(0.99)	51.5%
Adjusted non-HKFRS loss per share			
— Basic and diluted	(0.11)	(0.08)	37.5%

The Board does not recommend payment of any final dividend for the Reporting Period.

Note: For the year ended December 31, 2022, the Group incurred loss of RMB1,346.0 million, which was mainly attributable to changes in the fair value of Preferred Shares of RMB1,210.9 million. Changes in the fair value of Preferred Shares was a non-cash item. The Preferred Shares were irrevocably converted into ordinary shares upon the listing of the Group's shares on July 8, 2022, and no further losses or gains will be recognized on changes in the fair value of Preferred Shares thereafter. Share-based payment expenses are non-cash expenses arising from share awards and Pre-IPO Share Option Scheme granted to certain management personnel and employees, which are commonly not included in similar non-HKFRS measures adopted by other companies in our industry. Listing expenses are expenses in relation to the Listing and the Global Offering and commonly not included in similar non-HKFRS measures. After eliminating potential impacts of certain non-cash or other expenses that do not affect our ongoing operating performance, including fair value loss of financial liabilities, share-based payment expenses and listing expenses, the Group's adjusted non-HKFRS loss attributable to equity holders of the Company was RMB100.9 million.

The Board is pleased to announce the audited consolidated results of the Group for the Reporting Period, together with the comparative figures of the previous year.

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Year Ended December 31,	
		2022	2021
		RMB'000	RMB'000
		(audited)	(audited)
Revenue	4	83,604	81,199
Cost of sales		(13,780)	(12,167)
Gross profit		69,824	69,032
Research and development expenses		(44,172)	(26,970)
Selling expenses		(66,750)	(70,120)
General and administrative expenses		(109,317)	(115,206)
Net impairment losses on financial assets		(69)	(6)
Other income	5	5,332	447
Other gains — net	6	1,898	45
Operating loss		(143,254)	(142,778)
Finance income		3,495	1,811
Finance costs		(760)	(3,858)
Finance income/(costs) — net		2,735	(2,047)
Fair value loss of financial liabilities		(1,210,894)	(493,864)
Loss before income tax		(1,351,413)	(638,689)
Income tax credit	7	5,450	5,043
Loss for the year		(1,345,963)	(633,646)
Loss attributable to:			
Shareholders of the Company		(1,345,963)	(633,645)
Non-controlling interests		—	(1)
		(1,345,963)	(633,646)
Loss per share for the year and attributable to the Shareholders of the Company		(1,345,963)	(633,645)
— Basic and diluted losses per share (RMB)	8	(1.50)	(0.99)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Loss for the year	(1,345,963)	(633,646)
Other comprehensive (loss)/income:		
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences arising from translation of the Company	(45,778)	15,182
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences arising from translation of subsidiaries of the Company	(2,471)	(113)
Other comprehensive (loss)/income for the year, net of tax	(48,249)	15,069
Total comprehensive loss for the year	(1,394,212)	(618,577)
Total comprehensive loss attributable to:		
Shareholders of the Company	(1,394,212)	(618,576)
Non-controlling interests	—	(1)
	(1,394,212)	(618,577)

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	2022 <i>RMB'000</i> (audited)	2021 <i>RMB'000</i> (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		29,728	28,870
Right-of-use assets		9,014	14,327
Intangible assets		13,101	244
Deferred income tax assets		24,619	19,163
Other receivables		2,936	1,089
Prepayments		7,499	854
		<u>86,897</u>	<u>64,547</u>
Current assets			
Inventories		7,606	9,908
Bills receivables	9	3,531	—
Trade and other receivables	10	6,534	379
Prepayments		6,803	6,218
Financial assets at fair value through profit or loss (“FVTPL”)		132,645	—
Bank deposits with the maturity over three months		355,196	—
Cash and cash equivalents		91,118	559,140
		<u>603,433</u>	<u>575,645</u>
Total assets		<u>690,330</u>	<u>640,192</u>
EQUITY/(DEFICIT)			
Share capital and premium		2,786,929	1
Convertible preferred shares		—	13,000
Accumulated losses		(2,219,557)	(873,594)
Other reserves		51,264	86,109
		<u>618,636</u>	<u>(774,484)</u>
Equity/(deficit) attributable to the Shareholders of the Company		<u>618,636</u>	<u>(774,484)</u>
Total equity/(deficit)		<u>618,636</u>	<u>(774,484)</u>

	<i>Notes</i>	2022 RMB'000 (audited)	2021 RMB'000 (audited)
LIABILITIES			
Non-current liabilities			
Financial liabilities at FVTPL		—	1,361,749
Lease liabilities		<u>3,575</u>	<u>8,860</u>
		<u>3,575</u>	<u>1,370,609</u>
Current liabilities			
Borrowings		18,000	—
Trade and other payables	12	39,229	29,518
Contract liabilities		3,487	6,730
Lease liabilities		<u>7,403</u>	<u>7,819</u>
		<u>68,119</u>	<u>44,067</u>
Total liabilities		<u><u>71,694</u></u>	<u><u>1,414,676</u></u>
Total equity and liabilities		<u><u>690,330</u></u>	<u><u>640,192</u></u>
Net current assets		<u><u>535,314</u></u>	<u><u>531,578</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. General Information

Rainmed Medical Limited (the “**Company**”) was incorporated in the Cayman Islands on April 9, 2021 as a company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The address of its registered office is Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are primarily engaged in research and development (“**R&D**”), manufacturing and commercialization of medical instrument related to coronary angiography-derived fractional flow reserve (“**caFFR**”) system and coronary angiography-derived index of microvascular resistance (“**caIMR**”) system (the “**Listing Business**”) in the People’s Republic of China (the “**PRC**”), Europe and other regions.

The Company’s shares have been listed on the main board of the Stock Exchange (the “**Main Board**”) since July 8, 2022.

These annual consolidated financial information are presented in RMB, unless otherwise stated, which has been approved for issue on March 30, 2023.

Pursuant to a reorganization (the “**Reorganization**”) in preparing for the listing of the Company’s shares on the Main Board, which was completed on June 24, 2021, the Company became the holding company of the other companies comprising the Group.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at FVTPL.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The consolidated financial statements of the Group have been prepared on a going concern basis. The Group is in the development stage and has been incurring losses from operations since incorporation. While the Group has net operating cash outflows, the Group has positive working capital resulting from capital raising activities through issuance of shares by global offering.

As at December 31, 2022, the Group had a total cash and cash equivalents of RMB91,118,000 and bank deposits with the maturity over three months of RMB355,196,000. The directors are of the opinion that the Group has sufficient cash for its daily operation for the next twelve months. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. Accounting Policies

(a) *New standards, amendments to standards and interpretations adopted by the Group*

The following new standards, amendments to existing standards and interpretations are relevant and mandatory for the Group's annual reporting period beginning on January 1, 2022:

		Effective for annual periods beginning on or after
Amendments to Hong Kong Accounting Standards ("HKAS") 16	Property, plant and equipment — proceeds before intended use	January 1, 2022
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	January 1, 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract'	January 1, 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	January 1, 2022

The adoption of the new standards, amendments to existing standards and improvements does not have any significant impact to the results and financial position of the Group.

The following new standards, amendments to existing standards and interpretations relevant to the Group have been issued but are not effective for the annual reporting period beginning on January 1, 2022 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
HKFRS 17	Insurance contracts	January 1, 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	January 1, 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	January 1, 2023
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2024
Amendment to HKAS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management is in the process of making an assessment of the impact of the above new standards and amendments to standards and considered that these new standards and amendment to standards will not result in any substantial changes to the Group's existing accounting policies and presentation of the consolidated financial statements of the Group.

4. Segment and revenue information

(a) Description of segments and principal activities

The Group is engaged in the R&D, manufacturing, and commercialization of medical instrument related to caFFR system and caIMR system. For management purposes, the Group is not organized into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

(b) The amount of each category of revenue is as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time:		
—Sales of products	82,634	80,244
Over time:		
—Installation and training services	970	955
	<u>83,604</u>	<u>81,199</u>

(c) The following table presents the analysis of contract liabilities related to the above-mentioned revenues:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Contract liabilities:		
Consideration for sales of goods	1,723	5,342
Consideration for installation and training services	1,764	1,388
	<u>3,487</u>	<u>6,730</u>

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying products or services are yet to be delivered or provided.

(d) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year:		
—Sales of goods	3,125	16,314
—Installation and training services	533	32
	<u>3,658</u>	<u>16,346</u>

(e) *Geographical information*

Revenue from customers by geographic location as determined by destination of delivery is as follows:

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	Revenue	Revenue
China	82,437	80,757
Others	1,167	442
	<u>83,604</u>	<u>81,199</u>

As at December 31, 2022 and 2021, all of the non-current assets of the Group were located in the PRC.

(f) *Information about major customers*

The major customers which contributed more than 10% of the total revenue of the Group for the years ended December 31, 2022 and 2021 are listed as below:

	Year ended December 31,	
	2022	2021
Customer A	12.89%	*
Customer B	11.54%	*
Customer C	*	14.37%
Total	<u>24.43%</u>	<u>14.37%</u>

* This customer contributed less than 10% of total revenue for the corresponding year.

(g) *Unsatisfied performance obligations*

The Group does not disclose information about remaining performance obligations as their original expected duration is less than one year as permitted under the practical expedient in accordance with HKFRS 15.

5. **Other income**

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants related to costs	<u>5,332</u>	<u>447</u>

Government grants relating to costs are recognized in the profit or loss in the year necessary to match them with the expenses that they are intended to compensate.

6. Other gains — net

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Net foreign exchange gains	2,017	74
Losses on disposals of property, plant and equipment	(15)	(44)
Fair value change in financial assets at FVTPL	1	37
Others	(105)	(22)
	<u>1,898</u>	<u>45</u>

7. Income tax credit

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Income tax	(6)	—
Deferred income tax	5,456	5,043
	<u>5,450</u>	<u>5,043</u>

The Group's principal applicable taxes and tax rates are as follows:

(a) *The Cayman Islands and BVI*

The Company is incorporated in the Cayman Islands as an exempted company and is not liable for taxation in the Cayman Islands. The Group's subsidiary incorporated in the BVI is also an exempted company and is not liable for taxation in the BVI.

(b) *Hong Kong*

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not have estimated assessable profit in Hong Kong during the years ended December 31, 2022 and 2021.

(c) *Mainland China*

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Implementation Rules of the EIT Law, the EIT is unified at 25% for all types of entities, effective from January 1, 2008.

Suzhou Rainmed, the Group's major operating subsidiary in the PRC, has obtained the approvals to become a new and high-technology enterprise in December 2021, which is effective for three years commencing on January 1, 2021. Suzhou Rainmed are entitled to a preferential income tax rate of 15% on the estimated assessable profits for the years ended December 31, 2022 and 2021.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2021 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their eligible research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.

(d) *The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:*

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Loss before income tax	<u>1,351,413</u>	<u>638,689</u>
Tax calculated at tax rates of 15%	202,712	148,080
Tax effect of:		
Effect of different tax rate	(3,849)	(5,510)
Changes in the applicable tax rate	—	(5,459)
Expenses not deductible for tax purposes	(184,397)	(134,236)
Additional deduction of research and development and other expenses	5,858	4,026
Tax loss not recognized as deferred tax assets	(14,874)	(1,835)
Temporary differences not recognized as deferred tax assets	—	(23)
Income tax credit	<u><u>5,450</u></u>	<u><u>5,043</u></u>

8. Loss per share

(a) *Basic loss per share*

Basic loss per share is calculated by dividing the loss of the Group attributable to Shareholders of the Company by weighted average number of ordinary shares outstanding during the years ended December 31, 2022 and 2021.

In the calculation of weighted average number of ordinary shares outstanding for years ended December 31, 2022 and 2021:

- 1) the shares issued to the Shareholders during the Reorganization who were the then shareholders of Suzhou Runxin Medical Instrument Co., Ltd (“**Suzhou Runxin**”) as at January 1, 2021 had been adjusted retrospectively as if those shares have been issued since January 1, 2021;
- 2) the shares issued to existing Shareholders before public offering through the capitalization issue had been adjusted retrospectively as if those shares have been issued since January 1, 2021.

Basic loss per share is calculated by dividing the loss attributable to Shareholders of the Company by the weighted average number of ordinary shares outstanding.

	Year ended December 31,	
	2022	2021
Loss attributable to Shareholders of the Company (RMB'000)	(1,345,963)	(633,645)
Weighted average number of ordinary shares in issue (thousand) (i) & (ii) & (iii)	<u>898,232</u>	<u>643,289</u>
Basic loss per share (in RMB/share)	<u><u>(1.50)</u></u>	<u><u>(0.99)</u></u>

- (i) 1,527,460 Series A Preferred Shares are treated as ordinary shares for the purpose of calculating loss per share as they are recognized in equity and have no preferred right as to dividends compared with ordinary shares.
- (ii) 1,527,460 Series A Preferred Shares described above and 9,595,040 ordinary shares issued to the then Shareholders of Suzhou Runxin during the Reorganization had been adjusted retrospectively as if those shares have been issued since January 1, 2021.
- (iii) The weighted average number of ordinary shares for the purpose of basic loss per share for the years ended December 31, 2022 and 2021 has been retrospectively adjusted for the capitalization issue.
- (iv) All convertible preferred shares were converted to ordinary shares immediately prior to the completion of the Listing. The weighted average number of ordinary shares through the conversion and the capitalization issue of the preferred shares initially recognized as financial liabilities at FVTPL were calculated according to the time of conversion.

(b) Diluted loss per share

The Group has potential dilutive shares throughout the years ended December 31, 2022 and 2021 related to the Pre-IPO Share Option Scheme. For the years ended December 31, 2022 and 2021 respectively, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2022 and 2021 are the same as basic loss per share.

9. Bills receivables

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Bank acceptance bills	<u>3,531</u>	<u>—</u>

As at December 31, 2022, no bills has been endorsed to the suppliers or discounted to the bank.

10. Trade and other receivables

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables(a)	148	—
Other receivables(b)	9,322	1,468
Less: non-current portion	<u>(2,936)</u>	<u>(1,089)</u>
Trade and other receivables — net	<u>6,534</u>	<u>379</u>

The carrying amounts of trade and other receivables were denominated in RMB.

(a) *Trade receivables*

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables	148	—
Less: provision for impairment	—	—
	<u>148</u>	<u>—</u>
Trade receivables — net	<u>148</u>	<u>—</u>

The credit period for trade receivables was generally 60 to 180 days from the date of billing during the year. The ageing analysis of trade receivables based on invoice dates was as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Within 30 days	43	—
91 days to 180 days	105	—
	<u>148</u>	<u>—</u>

(b) *Other receivables*

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Loans to employees	4,000	—
Deposits	3,222	1,412
Amount due from a related party	2,000	—
Value-added tax recoverable	108	—
Others	75	70
	<u>9,405</u>	<u>1,482</u>
Less: provision for impairment	(83)	(14)
Other receivables — net	<u>9,322</u>	<u>1,468</u>
Less: non-current portion	<u>(2,936)</u>	<u>(1,089)</u>
	<u>6,386</u>	<u>379</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The carrying amounts of the Group's other receivables approximate their fair values.

11. Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year ended December 31, 2022 (2021: nil).

12. Trade and other payables

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,131	963
Staff salaries and welfare payables	24,190	13,586
Other tax payables	6,271	3,530
Accrued listing expenses	—	8,513
Payables for equipment and intangible assets	444	163
Payables for service suppliers	3,231	865
Amounts due to a related party	—	10
Other accrued expenses	3,962	1,888
	<u>39,229</u>	<u>29,518</u>

The aging analysis of trade payables based on invoice dates was as follows:

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<u>1,131</u>	<u>963</u>

The Group's trade and other payables are denominated in the following currencies:

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
— RMB	22,861	22,887
— HK\$	16,368	—
— USD	—	6,631
	<u>39,229</u>	<u>29,518</u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Founded in 2014, we are committed to becoming a global leading vascular interventional surgical robotics company, with our current focus on the design, development and commercialization of coronary angiography-derived fractional flow reserve system (“**caFFR System**”) and coronary angiography-derived index of microvascular resistance system (“**caIMR System**”). Our Core Products, caFFR System and caIMR System, are innovative medical devices used to evaluate the severity of myocardial ischemia arising from coronary artery stenosis and microvascular dysfunction, which are the underlying causes of CAD. They are designed to eliminate the usage of pressure wires, significantly reduce the risk of technical errors and operation time, and improve physiological assessment. These two systems are currently utilized singularly for precision diagnosis of CAD. As FFR measures the macrocirculation of arteries which account for 5% of all arteries and IMR measures the micro-circulation of arteries which account for 95% of all arteries, therefore, using a combination of IMR and FFR can provide a comprehensive evaluation on the coronary circulation status of CAD patients. These two systems are expected to form the center and crucial modules for our future vascular interventional surgical robots.

Our caFFR System has obtained both certificates of CE Mark in Europe and NMPA approval in China. It was also successfully registered in the Commonwealth of Australia (the “**Australia**”) and was approved by the Therapeutic Goods Administration (the “**TGA**”) in 2022. With the high accuracy rate of over 95% and convenient operation process that takes less than five minutes, our caFFR System has become a leading domestic FFR measurement product and is currently competing closely with an international leading medical device company for the national leader position in the FFR measurement market in China. We plan to expand the indication of our caFFR System from the current scope (covering patients with stable angina pectoris, unstable angina pectoris and post-acute phase of myocardial infarction) to further cover patients experiencing acute STEMI, acute NSTEMI and HFpEF. In addition, we are also developing our caIMR System, which is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and is expected to become the first less-invasive IMR system approved for commercialization globally in 2023. Currently, we expect to obtain NMPA approval for commercialization of our caIMR System in the second quarter of 2023. In December 2022, our caFFR System and caIMR System were included into the Chinese Expert Consensus on Computation of Coronary Physiological Assessment Technology (《中國計算冠狀動脈生理學檢測技術專家共識》) (the “**Expert Consensus**”). The Expert Consensus will fill the gap of the lack of guidance and norm in the clinical application of physiological indicators calculation in the intervention of coronary heart disease in China, and will provide a basis for its standardized application and expansion of the scope of application. Building on our caFFR System and caIMR System, we aim to launch our vascular interventional surgical robot, a one-stop hybrid procedure, that can be carried out for diagnostic and therapeutic purposes by connecting and integrating all our clinical applications, to automate the whole process of PCI by 2024.

Commercialization

In 2022, we kept on expanding the market channels of our commercialized product, caFFR System, and achieved steady and outstanding results, which have strengthened our competitive advantages in the FFR field. Our revenue increased from RMB81.2 million for the year ended December 31, 2021 to RMB83.6 million for the year ended December 31, 2022, all of which was generated from the sales of our caFFR System, representing a year-on-year increase of approximately 3.0%.

We have a proven track record in commercializing our Core Product, caFFR System, with a comprehensive commercialization network in China. We actively engage with KOLs — such as Dr. Ge Junbo and Dr. Huo Yong — physicians and medical associations as a part of our academic promotion and marketing strategy. As of December 31, 2022, our efficient and highly experienced sales team have established an extensive distribution network comprising 151 domestic distributors who are authorized by us to cover over 1,000 hospitals across 22 provinces, four autonomous regions and four municipal cities in China. With our effective and extensive sales and marketing activities, as of December 31, 2022, our caFFR Systems had been sold to and installed in over 400 hospitals and had been performed at over 1,100 hospitals in China, and we had completed the procurement approval procedure with over 500 hospitals in China. We have also obtained the patient charging price ranging from RMB10,200 to RMB12,000 for our proprietary consumable of caFFR System in 30 provinces and regions, among which 21 provinces and regions (such as Shanghai, Guangdong, Chongqing, Henan, etc.) included our proprietary consumable of caFFR System into the medical insurance reimbursement list.

Research and Development

Our R&D team develops innovative products focusing on the field of interventional precision diagnosis and treatment. We have a dedicated in-house R&D team of over 100 members primarily based in Suzhou, Jiangsu province, China. The R&D team accounts for around one third of our total employees and is led by Mr. Liu Guangzhi, our chief technology officer, who has over nine years of experience in medical device development and over 16 years of experience in software and algorithm development as well as profound management experience.

Our four R&D platforms include the medical imaging algorithm and application R&D platform, the fluid dynamics simulating calculation platform, the high-performance device R&D platform and the interventional consumables R&D platform. These platforms adhere to in-house development and innovation, capture market demand and actively explore various clinical applications for our products so as to timely upgrade our products and product candidates catering to the market demands. Our platform technologies complement each other and create a synergistic effect for our R&D efforts.

As of December 31, 2022, we had (i) 102 approved patents, including 98 approved in China, one approved in the U.S. and three approved in Japan; (ii) 178 pending patent applications, including 129 in China and 49 overseas; (iii) 23 active PCT patent applications; (iv) 269 registered trademarks; and (v) 13 registered software copyrights.

Manufacturing

Our commercialization efforts are well supported by our growing manufacturing capability. As of December 31, 2022, we had two manufacturing sites located in Suzhou, Jiangsu province, China, including one principal manufacturing site with an aggregate floor area of 5,143 sq.m. in operation and another auxiliary manufacturing site with an aggregate floor area of 1,019 sq.m. Both our manufacturing facilities are in compliance with the GMP for medical devices in China. Once our two facilities are put under full operation, it is expected to be able to produce 11,375 units of consoles as well as 1,130,765 units of pressure transducers (disposable consumables) each year. The console and the single-use pressure transducer can be used for assembling our caFFR System and caIMR System.

Products and Pipeline

Products and Product Candidates ⁽²⁾	Indication	Type	Stage				Upcoming Milestone	Expected Commercial Launch
			Preclinical	Clinical	Registration	Approval		
Digital Functional Diagnostic Module	caFFR System (comprising the FlashAngio caFFR System and the FlashPressure caFFR pressure transducer)	III	China	NMPA Approval			N/A	Launched
		III	China	Post Registration clinical trial for indication expansion ⁽¹⁾			Registration submission (2025)	2026
		IIa	Europe	CE Mark: exempted from clinical trial requirement			N/A	Launched
		II	Japan, South Korea				Initiation of clinical trials (2023Q3)	2025
		II	United States				Initiation of clinical trials (2023Q3)	2026
	caIMR System (comprising the FlashAngio caIMR System and the FlashPressure caIMR pressure transducer)	III	China				Regulatory approval (2023Q2)	2023Q2
		III	China	Post Registration clinical trial for indication expansion ⁽¹⁾			Initiation of clinical trials (2023Q4)	2026
		IIa	Europe ⁽²⁾	CE Mark: exempted from clinical trial requirement			Acceptance process of registration submission	2023Q3
		II	Japan, South Korea				Initiation of clinical trials (2023Q3)	2025
		II	United States				Initiation of clinical trials (2023Q3)	2026
Automated Interventional Module	Intelligent Angiographic Injection System	Vascular Disease	III	NMPA Approval: Exempted from clinical trial requirement			Registration submission (2023Q3)	2024
	Flash Robot Vascular Intervention Navigation Operation System	Coronary Artery Disease	III				Initiation of clinical trials (2023Q3)	2024
		Peripheral Vascular Disease	III				Initiation of clinical trials (2024Q3)	2027
		Neurovascular Disease	III				Initiation of clinical trials (2024Q3)	2027
	Flash RDN System	Hypertension	III				Initiation of clinical trials (2023Q3)	2026

★ Core Product

▲ This device is exempted from clinical trial requirements in accordance with the Catalogue of Medical Devices Exempted from Clinical Evaluation (《免於臨床評價醫療器械目錄》) promulgated by the NMPA.

Notes:

- (1) Indication expansion of caFFR System includes acute STEMI, acute NSTEMI and HFpEF.
- (2) We have global commercial rights for all of our products and product candidates.
- (3) Indication expansion caIMR System includes STEMI immediately after successful revascularization of targeted vessels.

caFFR System

Our caFFR System is a less-invasive physiological assessment of coronary artery ischemia severity based on CAG images, and it is indicated for monitoring real-time aortic pressure in all stages of the cardiac cycle and assessing various physiological parameters for patients with stable angina pectoris, unstable angina pectoris and acute myocardial infarction (at least seven days after myocardial infarction). Our caFFR System is a Class III medical device under the classification criteria of the NMPA.

We commenced the confirmatory clinical trial for our caFFR System in March 2018 and completed such trial in May 2019. We obtained the CE Mark in the European Union in September 2019 and started to commercialize our caFFR System in overseas markets (such as the Czech Republic, France and Austria) in October 2019. In addition, we received the registration certificate of Class III medical device from the NMPA in December 2019 and began to commercialize our caFFR System in China in January 2020. In 2022, we successfully registered our caFFR System in Australia and received the approval by the TGA in respect of our caFFR System. Our R&D in relation to our caFFR System has been a continuing effort. We initiated a post-registration clinical trial in China in August 2020 to expand the indication of our caFFR System from its current scope to further cover patients experiencing acute STEMI, acute NSTEMI and HFpEF.

caIMR System

We are currently developing our caIMR System, which is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and is expected to become the first less-invasive IMR system approved for commercialization globally in 2023. Our caIMR System is a Class III medical device under the classification criteria of the NMPA. As of December 31, 2022, we held four material patents and three material patent applications in relation to our caIMR System. In March 2022, we completed the confirmatory clinical trial of our caIMR System in China with 116 human subjects enrolled. Subsequently, we submitted the confirmatory clinical trial results of caIMR System to the NMPA for regulatory approval in April 2022. In May 2022, Dr. Ge Junbo, the president of the Cardiovascular Society of the Chinese Medical Doctor Association and the chief of the Department of Cardiology in the Zhongshan Hospital of Fudan University, published the confirmatory clinical research results of our caIMR System at the European Association of Percutaneous Cardiovascular Interventions, the world's top academic conference for cardiovascular intervention. Compared with wire-based IMR, the diagnostic performance of our caIMR System indicated a diagnostic accuracy of 93.8%, sensitivity of 95.1%, and specificity of 93.1%. Currently, we expect to obtain NMPA approval for commercialization of our caIMR System in the second quarter of 2023.

Flash Robot Vascular Intervention Navigation Operation System

Flash Robot Vascular Intervention Navigation Operation System is our proprietary robot-assisted platform designed for navigation and operation. We plan to provide a “one-stop hybrid procedure” that can be carried out for diagnostic and therapeutic purposes at the same time in the future. Robotic-assisted operation enables precise measurement of anatomy and device positioning with the added benefit of radiation protection for the physicians. Consisting of a robotic arm and a control unit (including a console and a surgical image navigation system), our Flash Robot Vascular Intervention Navigation Operation System allows physicians to precisely guide a catheter through the patient's blood vessels and further perform the operation. As of December 31, 2022, the Flash Robot Vascular Intervention Navigation Operation System was at its design stage. In February 2022, our Flash Robot Vascular Intervention Navigation Operation System entered into the animal study stage and successfully passed the first animal trial sample.

WE CANNOT GUARANTEE THE FUTURE PROSPECTS OF OUR CORE PRODUCT, caFFR SYSTEM, AND WE MAY NOT BE ABLE TO SUCCESSFULLY DEVELOP AND/OR MARKET OUR OTHER CORE PRODUCT, caIMR SYSTEM, OR ANY OTHER PRODUCT CANDIDATES.

Outlook and Prospect

In the past year, despite the uncertainties in the market, the continuous outbreak of regional epidemics and the requirements of complying with strict epidemic prevention measures, our team and all employees still forged ahead in a fluctuating environment and took initiative to maintain operations and continue to further expand our business. Looking ahead to 2023, we remain optimistic about the prospect for the mainland China and Hong Kong. As epidemic prevention and control policies continue to be eased in the mainland China, all stakeholders expressed their support despite the initial challenges.

II. FINANCIAL REVIEW

Revenue

Substantially all of our revenue was generated from the sales of our caFFR System, comprising a console (the FlashAngio caFFR System) and its proprietary consumable (the FlashPressure caFFR pressure transducer), since its commercialization. We sold substantially all of our products through our distributors for the years ended December 31, 2022 and 2021. Our contracts with distributors include a component of installing our devices and training services in addition to delivering products. We recognize revenue for sales of products upon delivery and recognize revenue for installation and training services after we have completed the relevant services. The following table sets forth a breakdown of our revenue by nature for the years indicated:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Sales of products		
— Sales of FlashAngio caFFR System	14,239	23,335
— Sales of FlashPressure caFFR pressure transducer	68,395	56,909
Installation and training services	970	955
	<hr/>	<hr/>
Total	83,604	81,199
	<hr/> <hr/>	<hr/> <hr/>

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 1.2% from RMB69.0 million for the year ended December 31, 2021 to RMB69.8 million for the year ended December 31, 2022, primarily due to the increased sales of our caFFR System. Our gross profit margin remained relatively stable at 83.5% for the year ended December 31, 2022 and 85.0% for the same period in 2021.

Research and Development Expenses

During the Reporting Period, our R&D expenses primarily consisted of (i) employee benefit expenses, including salaries, bonus and fringe benefits for R&D team; (ii) raw material costs for our R&D activities; (iii) professional service expenses, mainly representing expenses incurred in relation to (a) our intellectual property rights, such as patent application fees and patent maintenance fees, and (b) our product registration applications; (iv) clinical trial and testing expenses, including (a) payments to CROs, hospitals, SMOs and other service providers in connection with our R&D activities, and (b) our testing expenses for our products; (v) share-based payment expenses in relation to the Pre-IPO Share Option Scheme granted to certain members of our R&D team; and (vi) depreciation and amortization charges. The following table sets forth a breakdown of our R&D expenses for the years indicated:

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	25,371	15,477
Raw material costs	5,174	4,672
Professional service expenses	4,772	1,229
Clinical trial and testing expenses	2,019	2,607
Share-based payment expenses	2,325	128
Depreciation and amortization charges	2,225	1,306
Other expenses	2,286	1,551
Total	<u>44,172</u>	<u>26,970</u>

Our R&D expenses increased significantly from RMB27.0 million for the year ended December 31, 2021 to RMB44.2 million for the year ended December 31, 2022, representing a year-on-year increase of approximately 63.8%. Such increase was primarily due to (i) an increase of RMB9.9 million in employee benefit expenses mainly as a result of salary increase and an increase in our R&D employee headcount; (ii) an increase of RMB3.5 million in professional service expenses; and (iii) an increase of RMB2.2 million in share-based payment expenses as a result of the Pre-IPO Share Option Scheme granted to certain members of our R&D team in 2022.

Selling Expenses

During the Reporting Period, our selling expenses primarily consisted of (i) employee benefit expenses, including salaries, bonus and fringe benefits for sales and marketing team; (ii) marketing development expenses, primarily including expenses in connection with our sales and marketing activities, such as conference costs, travel expenses, expenses incurred for exhibitions and expenses paid to third-party research institutes for conducting market researches; (iii) share-based payment expenses in relation to share awards and the Pre-IPO Share Option Scheme granted to certain members of our sales team; and (iv) depreciation and amortization charges. The following table sets forth a breakdown of our selling expenses for the years indicated:

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	35,370	26,450
Marketing development expenses	22,860	15,932
Share-based payment expenses	3,592	25,441
Depreciation and amortization charges	3,017	1,131
Other expenses	1,911	1,166
	<hr/>	<hr/>
Total	66,750	70,120
	<hr/> <hr/>	<hr/> <hr/>

Our selling expenses decreased from RMB70.1 million for the year ended December 31, 2021 to RMB66.8 million for the year ended December 31, 2022, representing a decrease of approximately 4.8% as compared to the same period in 2021. Such decrease was primarily due to a decrease of RMB21.8 million in one-off share-based payment expenses as a result of the share awards granted to certain members of our sales team in 2021. The decrease was partially offset by an increase in expenses as a result of an increase in our sales and marketing employee headcount to support our increasing sales and marketing activities.

General and Administrative Expenses

During the Reporting Period, our general and administrative expenses primarily consisted of (i) employee benefit expenses, including salaries, bonus and fringe benefits for administrative team; (ii) listing expenses; (iii) depreciation and amortization charges; (iv) share-based payment expenses in relation to share awards granted to certain members of our general management team; and (v) professional service expenses, which were primarily associated with corporate legal services. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses	51,769	20,638
Listing expenses	20,756	20,926
Depreciation and amortization charges	9,166	7,596
Professional service expenses	6,681	18,238
Share-based payment expenses	7,039	41,574
Travel expenses	309	501
Other expenses ^{Note}	13,597	5,733
Total	<u>109,317</u>	<u>115,206</u>

Note: Mainly included office expenses, entertainment expenses, travel expenses and property management fees.

Our general and administrative expenses decreased from RMB115.2 million for the year ended December 31, 2021 to RMB109.3 million for the year ended December 31, 2022, representing a year-on-year decrease of approximately 5.1%. Such decrease was primarily due to a decrease of RMB34.5 million in one-off share-based payment expenses as a result of the share awards granted to certain members of our general management team in 2021. The decrease was partially offset by an increase of RMB31.1 million in employee benefit expenses mainly as a result of an increase in our administrative employee headcount.

Other Income

Our other income increased from RMB0.4 million for the year ended December 31, 2021 to RMB5.3 million for year ended December 31, 2022, primarily due to an increase in government grants related to costs, as a result of our receipt of one-off government grants in 2022.

Income Tax Credit

Our income tax credit increased from RMB5.0 million for the year ended December 31, 2021 to RMB5.5 million for the year ended December 31, 2022, primarily due to the recognition of deferred income tax assets mainly resulted from the increased loss before income tax recognized in 2022.

Fair Value Loss of Financial Liabilities

Our fair value loss of financial liabilities represented the changes in fair value of the preferred shares in relation to our Series Angel-1, Series Angel-2, Series A+, Series B, Series C-1, Series C-2 and Series D Preferred Shares (collectively, “**Refundable Preferred Shares**”). Subsequent to initial recognition, changes in the fair value of our Refundable Preferred Shares are recognized in the consolidated income statement. Our fair value loss increased significantly from RMB493.9 million for the year ended December 31, 2021 to RMB1,210.9 million for the year ended December 31, 2022, primarily attributable to the increase in the fair value of our Refundable Preferred Shares in line with the increase of the Group’s valuation in 2022. Upon the Listing on July 8, 2022, the Refundable Preferred Shares have been irrevocably converted into ordinary shares, after which no further loss or gain on fair value changes of the Refundable Preferred Shares should be recognized.

Loss for the Year

For the reasons described above, we recorded a loss of RMB1,346.0 million for the year ended December 31, 2022, compared with a loss of RMB633.6 million for the year ended December 31, 2021.

Liquidity and Financial Resources

Our primary uses of cash were to fund the development of our product candidates, our clinical trials, our payment for the purchase of plant and equipment, administrative expenses, selling expenses and other recurring expenses.

For the year ended December 31, 2022, our net cash used in operating activities was RMB111.2 million, primarily because we incurred significant R&D expenses, administrative expenses and selling expenses during the Reporting Period. Our operating cash flow will continue to be affected by our operating expenses such as R&D expenses. During the Reporting Period, we mainly relied on capital contribution from Shareholders and equity financing as the main source of liquidity. Our management closely monitors the utilization of cash and cash balances and strives to maintain healthy liquidity for our business. Going forward, we believe that our liquidity requirements will be satisfied with the net proceeds from the Global Offering, our cash and cash equivalents on hand and cash generated from our operations.

For the year ended December 31, 2022, our net cash used in investing activities was RMB515.7 million, primarily attributable to purchases of property, plant and equipment items, payments of intangible assets, purchases of financial assets and purchases of short-term bank deposits of RMB17.1 million, RMB12.7 million, RMB130.4 million and RMB355.2 million, respectively.

For the year ended December 31, 2022, our net cash generated from financing activities was RMB120.7 million, primarily attributable to the global offering and placing, bank loans of RMB127.0 million and RMB18.0 million, respectively, which were partially offset by lease payments of RMB6.6 million and listing expenses of RMB17.5 million.

As at December 31, 2022, our cash and cash equivalents amounted to RMB91.1 million, representing a decrease of RMB468.0 million from RMB559.1 million as at December 31, 2021. Our net current assets increased from RMB531.6 million as at December 31, 2021 to RMB535.3 million as at December 31, 2022.

Indebtedness

As at December 31, 2022, we had an outstanding balance of borrowings of RMB18.0 million. We had unutilized bank facilities of RMB191.0 million.

Our lease liabilities decreased from RMB16.7 million as at December 31, 2021 to RMB11.0 million as at December 31, 2022, primarily attributable to lease payments.

Capital Commitments

As at December 31, 2022, we had capital commitments contracted but not provided for of RM11.3 million in relation to the purchase of construction and furnishing services and equipment for the Group's production plants.

Charges on Assets

As at December 31, 2022, the Group had no pledge of assets (as at December 31, 2021: nil).

Contingent Liabilities

As at December 31, 2022, we did not have any material contingent liabilities (as at December 31, 2021: nil).

Significant Investments, Material Acquisitions and Disposals

We did not have any significant investments held, nor did we make any material acquisitions and disposals of subsidiaries during the Reporting Period.

Foreign Exchange Exposure

We are exposed to foreign currency risk primarily arising from cash at banks denominated in USD. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Key Financial Ratios

The following table sets forth the key financial ratios as at the dates indicated:

	As at December 31,	
	2022	2021
Quick ratio ⁽¹⁾	8.7	12.8
Gearing ratio ⁽²⁾	Not meaningful	Not meaningful

Notes:

- (1) Quick ratio is calculated by dividing current assets less inventories as of a given date by current liabilities as at such date.
- (2) Gearing ratio is calculated using interest-bearing bank and other borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. Gearing ratio is not meaningful as our interest-bearing bank and other borrowings less cash and cash equivalents were negative.

Future Plans for Material Investments or Capital Assets

The Group will continue to expand into the China and global markets in order to tap its internal potential and maximize Shareholders' interests. The Group will continue to drive product development within its product pipeline. The Group will continue to grow and develop through self-development, mergers and/or acquisitions. We will use various financing channels to support capital expenditures, including but not limited to internal funds and bank loans. Currently, the Group's bank credit line is sufficient.

Human Resources

As at December 31, 2022, the Group employed 435 full-time employees, all of whom were stationed in China. During the Reporting Period, the Group's total employee benefit expenses (including (i) wages, salaries and bonuses; (ii) social security costs; (iii) employee benefits; and (iv) equity-settled share awards) amounted to approximately RMB138.9 million. We recruit our employees based on a number of factors, including their work experience, educational background and the requirements of the relevant vacancies. We invest in continuing education and training programmes for our management staff and other employees to continuously improve their skills and knowledge. We provide regular feedback to our employees, as well as internal and external training in various areas such as product knowledge, project development and team building. We also assess the performance of our employees to determine their salaries, promotion opportunities and career development. In accordance with the relevant PRC labour laws, we enter into individual employment contracts with our employees covering matters such as tenure, wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. In addition, we are required under PRC law to make contributions to statutory employee benefit plans (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds) at certain percentages of the salaries (including bonuses and allowances) of our employees, up to a maximum amount specified by the local government. The adoption of the Pre-IPO Share Option Scheme of 707,628 Shares (or 35,381,400 Shares as adjusted after the capitalization issue) as further described in the Prospectus was approved at the Board meeting of the Company held on December 10, 2021. The purpose of the Pre-IPO Share Option Scheme is to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group. The Pre-IPO Share Option Scheme also helps the Company to modernize its remuneration practices and improve the balance of interests among Shareholders, operation and execution management by aligning their interests.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Acquisition of Equity Interest and the Subscription of Increased Registered Capital of Tianjin Yuehekang Biotechnology Co., Ltd.* (天津悦和康生物技術有限公司)

On March 1, 2023 (after trading hours), Suzhou Rainmed entered into an investment agreement (the “**Investment Agreement**”) with Tianjin Yuehekang Biotechnology Co., Ltd.* (天津悦和康生物技術有限公司) (the “**Target Company**”), Qingdao Yaoshuntong Trading Co., Ltd.* (青島耀順通商貿有限公司) (“**Qingdao Yaoshuntong**”) and Mr. He Zhibo, pursuant to which (i) Suzhou Rainmed has conditionally agreed to acquire, and Qingdao Yaoshuntong has conditionally agreed to sell, the equity interest, which represented 57% of the registered capital of the Target Company as at March 1, 2023 and immediately before the subscription of subscription interests as contemplated under the Investment Agreement, at the consideration in the amount of RMB15,960,000; and (ii) Suzhou Rainmed has conditionally agreed to subscribe for the increased registered capital, which represented 11.32% of the total registered capital of the Target Company on a fully-diluted basis as enlarged by the transfer of interests and subscription of subscription interests as contemplated under the Investment Agreement (collectively, the “**Investment**”), at the consideration in the amount of RMB10,000,000 (comprising newly increased registered capital of approximately RMB8,214,300 and capital reserve of approximately RMB1,785,700).

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Investment is more than 5% but less than 25%, the Investment constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Please refer to the Company’s announcements dated March 1, 2023 and March 20, 2023 for further details.

The Entering Into of the Construction Agreement

In March 2023, the Group acquired a piece of land located in Wuzhong District, Suzhou, Jiangsu Province, the PRC, with a total site area of approximately 20,000 sq.m. for the purpose of developing an industrial park of the Group, at a consideration of RMB5,040,050.

On March 24, 2023, Suzhou Rainmed Robot Co., Ltd.* (蘇州潤邁德機器人有限公司), an indirect wholly-owned subsidiary of the Company, entered into a construction agreement (the “**Construction Agreement**”) with Wujiang Construction Engineering (Group) Co., Ltd.* (吳江市建設工程(集團)有限公司) (the “**Contractor**”), pursuant to which the Contractor will undertake the construction and engineering works of manufacturing facilities, office buildings and supporting facilities on a piece of land located in Wuzhong District, Suzhou, Jiangsu Province, the PRC with a construction area of approximately 75,600 sq.m. at a consideration of RMB430,000,000.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Construction Agreement exceeds 25% but is less than 100%, the transaction contemplated under the Construction Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement, circular and shareholders’ approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders had a material interest in the transaction contemplated under the Construction Agreement. As such, no Shareholder was required to abstain from voting if an extraordinary general meeting were to be convened for the approval of the Construction Agreement and the transaction contemplated thereunder.

The Company has obtained a written approval in respect of the Construction Agreement and the transaction contemplated thereunder from a closely allied group of Shareholders which collectively held 665,023,530 Shares, representing approximately 56.95% of the entire issued share capital of the Company as at March 27, 2023. As such, no extraordinary general meeting will be convened for the approval of the Construction Agreement as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among other things, further details of the Construction Agreement and the transaction contemplated thereunder is expected to be dispatched to the Shareholders for information purpose on or before April 20, 2023.

Please refer to the Company's announcement dated March 27, 2023 for further details.

Use of Net Proceeds from Listing

On July 8, 2022, the Shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering (including the partial exercise of the Over-allotment Option), after deducting the underwriting fees and commissions and expenses in connection with the Global Offering of the Company, amounted to approximately HK\$78.6 million. Such proceeds have been and will be allocated and utilized in accordance with the purposes and proportions set out in the Prospectus, and there is no change in the intended use of net proceeds as disclosed in the Prospectus.

The following table sets out the intended use of net proceeds and a summary of their utilization as of December 31, 2022:

Intended Use of Net Proceeds	Approximate Percentage of Total Net Proceeds	Net proceeds		Balance as of December 31, 2022 (HK\$ million)	Expected Timeline of Full Utilization of the Unutilized Proceeds ⁽¹⁾
		Allocation of Net Proceeds (HK\$ million)	Utilized as of December 31, 2022 (HK\$ million)		
The ongoing research and development, further clinical studies, preparation for registration filings, manufacturing and commercialization of our Core Products, namely, caFFR System and caIMR System	80.0%	62.9	27.8	35.1	December 2023
The ongoing research and development, manufacturing and commercialization of our other pipeline products	16.5%	13.0	5.8	7.2	December 2023
For our general working capital and general corporate purposes	3.5%	2.7	2.7	—	N/A
Total	100.0%	78.6	36.3	42.3	

Note:

- (1) The expected timeline to use the remaining proceeds is prepared based on the best estimate made by the Group, which is subject to change based on future developments and events which may be outside of the Group's control.

As at December 31, 2022, the unutilized proceeds were deposited into licensed financial institutions in Hong Kong.

FINAL DIVIDEND

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

AGM AND CLOSURE OF THE REGISTER OF MEMBERS

The Company will hold the AGM on Thursday, June 29, 2023. The notice of the AGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rainmed.com) and dispatched to the Shareholders in the manner as required by the Listing Rules in due course.

The register of members of the Company will be closed from Monday, June 26, 2023 to Thursday, June 29, 2023, 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 branch share registrar in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, June 23, 2023.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules.

Since the Listing Date and up to December 31, 2022, the Company complied with all code provisions of the CG Code except for the deviation as disclosed below.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Huo Yunfei currently serves as the chairman of the Board and the chief executive officer of the Group ("CEO"). He is responsible for overall strategic planning and decision-making, execution, operation and management of the Company. Although this constitutes a deviation from code provision C.2.1 of the CG Code, the Board considers that vesting the roles of both chairman of the Board and CEO in Mr. Huo Yunfei has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning 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, two non-executive Directors and three independent non-executive Directors. Therefore, the Board possesses an independent element in its composition.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the standards set out in the Model Code since the Listing Date and up to December 31, 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the Listing Date and up to December 31, 2022 neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Board has established the Audit Committee, comprising three independent non-executive Directors, i.e., Mr. Liu Shuen Kong, Mr. Li Ho Man and Mr. Lau Tsz Ho Tony, with Mr. Liu Shuen Kong serving as the chairman. 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 Group, overseeing the audit process, and performing other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management and the Company's external auditors, and has reviewed the annual results of the Group for the year ended December 31, 2022.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's consolidated income statement, statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended December 31, 2022 as set out in this annual results announcement have been agreed by the Group's auditors, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2022 prepared in accordance with HKFRSs. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this annual results announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2022 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.rainmed.com), and the 2022 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

In this annual results announcement, the following expressions shall have the meanings set out below, unless the context otherwise requires:

“AGM”	the 2022 annual general meeting of the Company to be held on Thursday, June 29, 2023
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“BVI”	the British Virgin Islands
“CAD”	coronary artery diseases, a condition where the major blood vessels supplying the heart are narrowed to reduce blood flow that can cause chest pain and shortness of breath
“caFFR”	coronary angiography-derived fractional flow reserve, a novel less-invasive index to determine the FFR in patients with stable or unstable angina
“CAG”	coronary angiography, a percutaneous procedure that uses contrast dye and X-ray images to detect CAD
“caIMR”	coronary angiography-derived index of microvascular resistance, which is proposed for physiological assessment of microvascular diseases in coronary circulation
“CE Mark”	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which for the purpose of this announcement and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company” or “our Company”	Rainmed Medical Limited (潤邁德醫療有限公司), an exempted company with limited liability incorporated in the Cayman Islands on April 9, 2021
“confirmatory clinical trial”	a controlled clinical trial of a medical device product designed to demonstrate statistically significant clinical efficacy and safety of such product as used in human patients (in conjunction with the performance of a therapeutic procedure), for regulatory approval of such product

“Core Product”	has the meaning ascribed to it under Chapter 18A of the Listing Rules, which, for purposes of this announcement, refers to each of caFFR System and caIMR System
“CRO”	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contractual basis
“Director(s)”	the director(s) of the Company
“FFR”	fractional flow reserve, a technique used in coronary catheterization to measure pressure differences across a coronary artery stenosis at maximal hyperemia to determine the likelihood that the stenosis impedes oxygen delivery to the heart muscle and diagnose myocardial ischemia
“Global Offering”	has the meaning as ascribed to it in the Prospectus
“GMP”	good manufacturing practice, the quality assurance that ensures that medical products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
“Group”, “our Group”, “we”, “us” or “our”	our Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HFpEF”	heart failure with preserved ejection fraction, a condition which occurs when the lower left chamber (left ventricle) is not able to fill properly with blood during the diastolic (filling) phase and the amount of blood pumped out to the body is less than normal
“HKFRS”	Hong Kong Financial Reporting Standards, as issued from time to time by the Hong Kong Accounting Standards Board
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IMR”	index of microcirculatory resistance, the quantitative assessment of the minimum microcirculatory resistance in a target coronary arteriolar territory
“KOL(s)”	key opinion leader(s), renowned physicians who are able to influence their peers’ medical practice
“Listing Date”	July 8, 2022, on which the Shares were listed and dealings in the Shares were first permitted to commence on the Stock Exchange

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“NMPA”	National Medical Products Administration of the PRC (中國國家藥品監督管理局), the successor to the China Food and Drug Administration (國家食品藥品監督管理總局)
“NSTEMI”	non-ST segment elevation myocardial infarction, a heart attack that occurs without ST segment elevation on the electrocardiogram
“Over-allotment Option”	has the meaning as ascribed to it in the Prospectus
“PCI”	percutaneous coronary intervention, a percutaneous procedure to open a narrowed or blocked coronary artery and restore arterial blood flow to heart tissue that does not involve open-chest surgery
“PCT”	the Patent Cooperation Treaty
“Preferred Share(s)”	has the meaning as ascribed to it in the Prospectus
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on December 10, 2021
“Prospectus”	the prospectus of the Company dated June 27, 2022 in relation to the Global Offering
“R&D”	research and development
“Reporting Period”	the year ended December 31, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Series Angel-1 Preferred Shares”	the series angel-1 preferred share of our Company with a par value of HK\$0.0001 each
“Series Angel-2 Preferred Shares”	the series angel-2 preferred share of our Company with a par value of HK\$0.0001 each
“Series A Preferred Shares”	the series A preferred share of our Company with a par value of HK\$0.0001 each

“Series A+ Preferred Shares”	the series A+ preferred share of our Company with a par value of HK\$0.0001 each
“Series B Preferred Shares”	the series B preferred share of our Company with a par value of HK\$0.0001 each
“Series C-1 Preferred Shares”	the series C-1 preferred share of our Company with a par value of HK\$0.0001 each
“Series C-2 Preferred Shares”	the series C-2 preferred share of our Company with a par value of HK\$0.0001 each
“Series D Preferred Shares”	the series D preferred share of our Company with a par value of HK\$0.0001 each
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of HK\$0.0001 each
“Shareholder(s)”	holder(s) of the Share(s)
“SMO”	site management organization, an organization that provides clinical trial related services to medical device companies
“sq.m.”	square meters, a unit of area
“STEMI”	ST segment elevation myocardial infarction, which occurs due to occlusion of one or more coronary arteries, causing transmural myocardial ischemia
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Suzhou Rainmed”	Suzhou Rainmed Medical Technology Co., Ltd.* (蘇州潤邁德醫療科技有限公司), a limited liability company incorporated under the laws of PRC on December 5, 2016, being a wholly-owned subsidiary of our Company
“USD”	United States dollars, the lawful currency of the United States
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“%”	per cent

* The English translations of company names in Chinese which are marked with “*” are for identification purpose only

By Order of the Board
Rainmed Medical Limited
Huo Yunfei
Chairman of the Board and Executive Director

Hong Kong, March 30, 2023

As at the date of this announcement, the Board comprises Mr. Huo Yunfei, Mr. Lyu Yonghui, Mr. Zhang Liang and Ms. Gu Yang as executive Directors, Mr. Wang Lin and Mr. Heng Lei as non-executive Directors, and Mr. Liu Shuen Kong, Mr. Li Ho Man and Mr. Lau Tsz Ho Tony as independent non-executive Directors.