康灃生物科技(上海)股份有限公司

Cryofocus Medtech (Shanghai) Co., Ltd.

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

Stock Code: 6922

ANNUAL REPORT 2022

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LI Kejian (李克儉) *(Chairperson)*
Mr. ZHU Jun (朱軍) *(General manager)*

Non-executive Directors

Mr. LV Shiwen (呂世文)
Mr. SUN Xiaolu (孫曉路) *(resigned on March 16, 2023)*
Mr. ZHAO Chunsheng (趙春生)

Independent non-executive Directors

Dr. GAO Dayong (高大勇)
Mr. LIANG Hsien Tse Joseph (梁顯治)
Dr. QIN Zheng (覃正)
Dr. HU Henan (胡赫男)

AUDIT COMMITTEE

Mr. LIANG Hsien Tse Joseph (梁顯治) *(Chairperson)*
Mr. ZHAO Chunsheng (趙春生)
Dr. QIN Zheng (覃正)

REMUNERATION COMMITTEE

Dr. QIN Zheng (覃正) *(Chairperson)*
Mr. LIANG Hsien Tse Joseph (梁顯治)
Mr. LI Kejian (李克儉)

NOMINATION COMMITTEE

Mr. LI Kejian (李克儉) *(Chairperson)*
Dr. QIN Zheng (覃正)
Dr. HU Henan (胡赫男)

SUPERVISORS

Ms. LI Cuiqin (李翠琴) *(Chairperson)*
Mr. ZHU Haorong (朱浩榮)
Mr. QIU Junkang (邱軍康)

JOINT COMPANY SECRETARIES

Mr. LIU Wei (劉偉)
Ms. LEUNG Wai Yan (梁慧欣) *(ACG, HKACG)*

AUTHORIZED REPRESENTATIVES

Mr. ZHU Jun (朱軍)
Ms. LEUNG Wai Yan (梁慧欣)

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

Building 15
Lane 3399, Kangxin Road
Pudong New Area
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

Ernst & Young
Certified Public Accountants and
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
O'Melveny & Myers
31/F, AIA Central
1 Connaught Road Central
Hong Kong

As to PRC law:
Zhejiang Dos Law Firm
12, 16/F, Marriott Center, 168 He Yi Road
Ningbo, Zhejiang
PRC

COMPLIANCE ADVISER

Maxa Capital Limited
Unit 1908
Harbour Center, 25 Harbour Road
Wanchai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKS

China Merchants Bank (Shanghai Branch, Changyang Sub-branch)
2nd Floor, No. 1441
Changyang Road
Yangpu District
Shanghai
PRC

Bank of Ningbo (Shuangdongfang Sub-branch)
No. 2, Suiyuan Street
Jiangbei District
Ningbo City
Zhejiang Province
PRC

STOCK CODE

6922

COMPANY'S WEBSITE

www.cryofocus.com

LISTING DATE

December 30, 2022

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last three financial years[Note] is set out below:

	For the year ended December 31,		
	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**27,149**	22,426	9,054
Gross profit	**19,362**	15,545	4,640
Loss for the year	**(118,316)**	(126,497)	(159,333)
Cash and cash equivalents	**226,422**	157,867	7,486

	As at December 31,		
	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	**49,655**	42,306	23,378
Total current assets	**264,208**	189,387	50,980
Total current liabilities	**45,734**	28,289	23,488
Total non-current liabilities	**8,740**	6,406	588
Non-controlling interests	**20,255**	26,349	–
Total equity	**259,389**	196,998	50,282

Note: The H Shares of the Company were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on December 30, 2022.

Chairperson's Statement

Dear Shareholders,

On behalf of the board of directors of Cryofocus Medtech (Shanghai) Co., Ltd. (the "**Company**" or "**Cryofocus Medtech**") and its subsidiaries (collectively, the "**Group**"), I would like to express my sincere gratitude for the trust and support of our shareholders. I am pleased to present the annual report for the year ended December 31, 2022.

Following three years of reoccurring COVID-19 outbreaks, in 2022, our society remained resilient as it kept moving forward and adjusting as needed. While, the overall economy faced numerous challenges, new opportunities also opened up. For Cryofocus Medtech, 2022 was the year in which we were poised for take-off. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 6922) on December 30, 2022, when we successfully joined the international capital market. It not only drew a full stop to the year, but also energized the Company's long-term growth.

As a medical device company in China with a main focus on minimally-invasive interventional cryotherapy and extensive presence in two fast-growing areas (NOTES and vascular intervention), we have developed a comprehensive product portfolio mainly targeting the treatment of urinary, cardiovascular, respiratory and digestive diseases. Four of our pipeline products, including two Core Products: the Bladder Cryoablation System (膀胱冷凍消融系統) and the Endoscopic Clip for Anastomosis (內鏡吻合夾), the Atrial Fibrillation Cryoablation System (心臟冷凍消融系統) ("**AF Cryoablation System**") and the Cryofocus Renal Denervation System (Cryofocus 冷凍消融系統) ("**Cryo-RDN System**"), were recognized as "innovative medical devices" by the NMPA or its provincial counterparts. Additionally, the Cryofocus Renal Denervation System ("**Cryo-RDN System**") received FDA Breakthrough Device Designation on December 8, 2022. This designation is an important milestone as it establishes the system's international leadership and clinical practice.

While strengthening the Company's research and development along with its competitive business position, the Company achieved remarkable results in the commercialization process. We received the NMPA approval for the Bladder Cryoablation System in June 2022 and commercialized Bladder Cryoablation System in December 2022, while we obtained approval for the Endoscopic Clip for Anastomosis in August 2022 and commercialized the Endoscopic Clip for Anastomosis in October 2022, which is one of over-the-scope clips approved for commercialization in China. In addition, we submitted the registration application for our AF Cryoablation System to the NMPA in July 2022, and we currently expect to receive the NMPA approval for the AF Cryoablation System in or around the second quarter of 2023. Through our hard work and dedication, we have developed mature commercialization capabilities and an extensive commercialization network to enable end-to-end connectivity from the clinical trial stage to commercial production, thereby laying a solid foundation for the upcoming commercialization of our pipeline products. We believe that this will greatly benefit the future commercialization of our cryoablation systems and other product candidates upon their approval.

With China's economy recovering, the strengthening of public health awareness and the growth in the aging population, we believe that the industry is entering into a period of rapid development. As a medical device company committed to innovation and possessing advanced medical research technology, we will continue to concentrate on high-growth fields and consistently build and improve our innovative and comprehensive product portfolio as we become a global leading innovative medical technology enterprise in the minimally-invasive interventional cryotherapy sector. We look forward to bringing benefits to clients in China and around the world, as well as creating more value for our shareholders who have followed and supported us throughout this journey.

Mr. LI Kejian
Chairman of the Board

March 30, 2023

Management Discussion and Analysis

I. BUSINESS REVIEW

Overview

We are an innovative medical device company in China with a main focus on the field of minimally-invasive interventional cryotherapy. We use liquid nitrogen as the main cryogenic source for cryotherapy systems by leveraging our unique liquid nitrogen cryoablation technology and advanced flexible catheter technology. Since our inception in 2013, we have developed a comprehensive product portfolio mainly focusing on two therapeutic areas: (i) natural orifice transluminal endoscopic surgery, or NOTES, for the treatment of urinary, respiratory, and digestive diseases (e.g., bladder cancer, chronic obstructive pulmonary disease, asthma, airway stenosis, gastric cancer, and esophageal cancer); and (ii) vascular interventional therapy for the treatment of atrial fibrillation, hypertension and other cardiovascular diseases. We believe our competitive advantage, technologies and product pipeline have helped us establish high entry barriers difficult for our competitors to surpass.

The interventional cryotherapy device market in China exhibits strong growth in recent years and is projected to continue to grow significantly in the near future. The factors that are driving the market growth include, among others, the accelerated aging population, the increased prevalence of chronic diseases, strong government policy support, continuous technological advancements, and advantages associated with the cryotherapy device and procedure. Driven by the accelerated population aging and patient pool expansion, technological innovations and favorable policy support, as well as the advantages associated with the cryotherapy devices, the cryotherapy device market in China has experienced rapid growth.

Products and Pipeline

Products and Product Candidates

We have developed a comprehensive product portfolio including two Core Products, 15 other product candidates with a main focus on natural orifice transluminal endoscopic surgery, or NOTES, and vascular intervention, as well as six additional commercialized non-cryotherapy products. The following diagram summarizes the status of our products and product candidates as at the date of this annual report:

		Products/Product Candidates	Indications/ Clinical Applications	NMPA Classification	Development Stage			Expected/Actual Time of Completion of the Current Stage	Expected/Actual Time of Approval for Commercialization
					Pre-Clinical	Clinical	Registration and Approval		
Core Products									
NOTES Interventional Cryotherapy Product	Cancer Intervention	Bladder Cryoablation System (膀胱冷凍消融系統) ▲	Non-muscle-invasive bladder tumors	III				Jun-22	Jun-22
NOTES Non-Cryotherapy Product		Endoscopic Clip for Anastomosis (內鏡吻合夾) ▲	Closure treatment of soft tissues	II				Aug-22	Aug-22
Other Products and Product Candidates									
Vascular Interventional Cryotherapy Products and Product Candidates		AF Cryoablation System (心臟冷凍消融系統) ★	Paroxysmal atrial fibrillation	III				2Q23	2Q23
		Cryo-RDN System (Cryofocus 冷凍消融系統)	Resistant hypertension	III				3Q24	2H25
		Pulmonary Hypertension Cryoablation System (肺動脈高壓冷凍消融系統)	Pulmonary hypertension	III				2Q23	1H26
NOTES Interventional Cryotherapy Products and Product Candidates	Cancer Intervention	Gastric Cryoablation System (胃部冷凍消融系統)	Gastric tumors	III				2H25	2H26
		Esophageal Cryospray System (食道冷凍噴霧治療系統)	Intermediate to advanced esophagus cancer	III				2H25	1H27
	Respiratory Intervention	COPD Cryospray System (慢阻肺冷凍噴霧治療系統)	COPD with chronic bronchitis	III				2H25	2H26
		Asthma Cryoablation System (哮喘冷凍消融系統)	Moderate and severe asthma	III				2H25	2H26
		Malignant Stenosis Cryoablation System (惡性狹窄冷凍消融系統)	Malignant airway stenosis	III				3Q23	4Q24
		Benign Stenosis Cryoablation System (良性狹窄冷凍消融系統)	Benign airway lesion	III				4Q24	1H26
		Peri-Pulmonary Nodule Cryoablation System (肺周結節冷凍消融系統)	Peri-pulmonary nodules	III				2Q23	2H27
		Cough Cryospray System (咳嗽冷凍噴霧治療系統)	Chronic cough	III				1H25	2H26
		Tuberculosis Cryospray System (結核冷凍噴霧治療系統)	Tracheobronchial tuberculosis	III				2H25	2H26
		Cryoadhesion System (冷凍粘連治療系統)	Biopsy, stenosis recanalization and foreign body retrieval	III				1Q24	1Q24
Non-Cryotherapy Products and Product Candidates		Atrial Fibrillation Pulsed Field Ablation System (房顫脈衝電場消融 (PFA) 系統)	Paroxysmal atrial fibrillation	III				2Q23	1H26
		Anti-Gastroesophageal Reflux System (抗胃食管反流系統)	Gastroesophageal reflux disease	III				1Q24	1H25
		Pulmonary Nodule Localization Needle (肺結節定位針)	CT-guided localization of lung nodules	III				N/A	Mar-19
		Laparoscopic Single Port Multi-Channel Access Platform (單孔多通道腹腔鏡手術入路系統)	Laparoscopic surgery	II				N/A	Feb-17
		Wound Retractor (開創保護器)	Small incision surgery and minimally invasive surgery	II				N/A	May-14
		Ureteral Dilation Balloon Catheter (輸尿管擴張球囊導管)	Ureteral Stricture	II				N/A	Dec-18
		Laparoscopic Biopsy Bag (腹腔鏡用活檢袋)	Biopsy	II				N/A	May-14
		Laparoscopic Surgical Instrument (腹腔鏡手術器械)	Laparoscopy	II				N/A	Oct-18

▲ Core Products

★ Major Product Candidate

Commercialized

Product Status

Our Core Products

1. Bladder Cryoablation System

Our Bladder Cryoablation System (膀胱冷凍消融系統) is a self-developed cryoablation system for the treatment of bladder tumors. This product candidate employs liquid nitrogen to perform efficient cryoballoon ablation on target tissue, and similar to Bacillus Calmette-Guerin perfusion or chemotherapy, this product candidate is indicated for use in conjunction with transurethral resection of bladder tumor surgeries to reduce tumor residuals for patients suffering from non-muscle-invasive bladder cancer.

We initiated the clinical trial for the Bladder Cryoablation System in November 2017, and received the NMPA approval for the Bladder Cryoablation System in June 2022. We commercialized our Bladder Cryoablation System in China in December 2022. As of December 31, 2022, there were no material accidents or adverse changes after we obtained approval or registration from relevant regulatory authorities.

2. Endoscopic Clip for Anastomosis

Our Endoscopic Clip for Anastomosis (內鏡吻合夾) is a self-developed anastomotic device for closure (閉合治療) of soft tissue in digestive tract. It is indicated for the closure treatment of bleeding, perforation, and tissue defects in digestive tract, and in particular, is suitable for treating perforation in gastrointestinal endoscopic surgery and endoscopic full-thickness closure (全層內鏡閉合) after NOTES. Its addressable patients primarily include the patients with acute gastrointestinal bleeding, ulcerative or medically induced perforations, or those undergoing endoscopic tissue removal procedures. This product candidate offers various benefits, such as its large clamping scope and strong clamping force, and it is detachable to facilitate the clip removal and avoid secondary damage to the tissue. This product is one of the over-the-scope clips approved for commercialization in China.

We initiated the clinical trial for the Endoscopic Clip for Anastomosis in June 2020, and received the approval for this product candidate in August 2022. We commercialized this product in October 2022. As of December 31, 2022, there were no material accidents or adverse changes after we obtained approval or registration from relevant regulatory authorities.

Our Other Products and Product Candidates

Vascular Interventional Cryotherapy Products and Product Candidates

1. ***AF Cryoablation System***

   Our Atrial Fibrillation Cryoablation System (心臟冷凍消融系統) ("**AF Cryoablation System**") is a self-developed cryoablation system indicated for the treatment of paroxysmal atrial fibrillation. The AF Cryoablation System treats atrial fibrillation by freezing and destroying abnormal heart tissues that create irregular heartbeats in a minimally invasive procedure.

   We initiated the clinical trial for the AF Cryoablation System in October 2019. We submitted the registration application for our AF Cryoablation System with the NMPA in July 2022, and currently expect to receive the NMPA approval for the AF Cryoablation System in or around the second quarter of 2023.

2. ***Cryo-RDN System***

   Our Cryofocus Renal Denervation System (Cryofocus 冷凍消融系統) ("**Cryo-RDN System**") is a self-developed cryoablation system designed for the treatment of hypertension. Renal denervation is a minimally-invasive procedure intended to deliver energy to overactive nerves in the kidney, which is a cause of hypertension, so as to decrease their activity and treat hypertension. Our Cryo-RDN System delivers liquid nitrogen to the target area of the renal artery to perform circumferential ablation, which damages nerve tissues through the formation and rewarming of ice balls, thus achieving the treatment of hypertension.

   We aim to make this product candidate the world's first cryoablation product that specifically focuses on the treatment of hypertension. In December 2022, the Cryo-RDN System was granted designation as a "Breakthrough Device" by the FDA. We are currently conducting a confirmatory clinical trial of the Cryo-RDN System, and we expect to obtain approval from the NMPA in the second half of 2025.

3. ***Pulmonary Hypertension Cryoablation System***

   Our Pulmonary Hypertension Cryoablation System (肺動脈高壓冷凍消融系統) ("**PH Cryoablation System**") is a self-developed cryoablation system designed for treating pulmonary hypertension. It employs a balloon catheter to perform circumferential cryoablation on the sympathetic nerve of pulmonary artery, effectively isolating the sympathetic nerve signaling and thus treating pulmonary hypertension.

   Our PH Cryoablation System is currently in the stage of pre-clinical study and we expect to obtain approval from the NMPA in the first half of 2026.

NOTES Interventional Cryotherapy Products and Product Candidates

1. ***COPD Cryospray System***

   Our COPD Cryospray System (慢阻肺冷凍噴霧治療系統) is a spray cryotherapy system developed by the Company, which is indicated to perform cryotherapy for patients suffering from COPD with chronic bronchitis. Our COPD Cryospray System ablates and deactivates the diseased airway mucosal epithelium by spraying liquid nitrogen under the bronchoscope to achieve therapeutic effect.

   Our COPD Cryospray System entered into the confirmatory clinical trial phase in March 2023. We expect to submit the product registration submission to the NMPA in the second half of 2025 and to obtain approval from the NMPA in the second half of 2026.

2. ***Asthma Cryoablation System***

Our Asthma Cryoablation System (哮喘冷凍消融系統) is a self-developed cryoablation system for treating moderate and severe asthma.

The Asthma Cryoablation System consists of a cryotherapy equipment and an airway cryoablation catheter. During the procedure, the Asthma Cryoablation System destroys the vagus nerve in the lungs through cryoablation, reducing the release of over-activated acetylcholine that is a cause of asthma, and decreasing mucus secretion, thus achieving the effect of treating asthma.

Our Asthma Cryoablation System entered into the confirmatory clinical trial phase in March 2023. We expect to submit the product registration submission to the NMPA in the second half of 2025 and to obtain approval from the NMPA in the second half of 2026.

3. ***Malignant Stenosis Cryoablation System***

Our Malignant Stenosis Cryoablation System (惡性狹窄冷凍消融系統) is a self-developed cryoablation system indicated to ablate malignant airway tumor tissue and reduce the frequency of airway restenosis.

The Malignant Stenosis Cryoablation System consists of a cryotherapy equipment and an airway cryoablation catheter. During the procedure, the Malignant Stenosis Cryoablation System ablates tumor cells in the lumen and luminal wall of the trachea with the ultra-low temperature generated by the cryoablation system, and then further destroys tumor cells through rewarming. The cryoablation balloon allows for more complete ablation of malignant tumors on a larger scale and delays restenosis time.

Our Malignant Stenosis Cryoablation System is currently in the confirmatory clinical trial phase. We expect to submit the product registration submission to the NMPA in the third quarter of 2023 and to obtain approval from the NMPA in the fourth quarter of 2024.

4. ***Benign Stenosis Cryoablation System***

Our Benign Stenosis Cryoablation System (良性狹窄冷凍消融系統) is a self-developed cryoablation system based on liquid nitrogen for ablating benign airway stenosis lesion. This product candidate can dilate and shape the airway stenosis with the balloon dilation and perform cryoablation treatment and reduce the frequency of airway restenosis.

Our Benign Stenosis Cryoablation System is currently in the feasibility clinical trial phase. We expect to submit the product registration submission to the NMPA in the fourth quarter of 2024 and to obtain approval from the NMPA in the first half of 2026.

5. ***Peri-Pulmonary Nodule Cryoablation System***

Our Peri-Pulmonary Nodule Cryoablation System (肺周結節冷凍消融系統) is a self-developed cryoablation system for treating peri-pulmonary nodules. It is currently in the stage of pre-clinical study. We currently expect to submit registration submission to the NMPA for the product candidate in the second half of 2026, and to receive the NMPA approval for this product in the second half of 2027.

6. ***Cough Cryospray System***

Our Cough Cryospray System (咳嗽冷凍噴霧治療系統) is a self-developed cryoablation system for treating chronic cough. It achieves therapeutic effect by ablating visible lesions in the airway.

Our Cough Cryospray System is currently in the feasibility clinical trial phase. We expect to submit the product registration submission to the NMPA in the first half of 2025 and to obtain approval from the NMPA in the second half of 2026.

7. ***Tuberculosis Cryospray System***

Our Tuberculosis Cryospray System (結核冷凍噴霧治療系統) is a spray cryotherapy system developed by the Company for treating tracheobronchial tuberculosis. It achieves therapeutic effect by ablating visible lesions in the airway.

Our Tuberculosis Cryospray System is currently in the feasibility clinical trial phase. We expect to submit the product registration submission to the NMPA in the second half of 2025 and to obtain approval from the NMPA in the second half of 2026.

8. ***Cryoadhesion System***

Our Cryoadhesion System (冷凍黏連治療系統) is a cryoadhesion device used for biopsy, stenosis recanalization and foreign body retrieval. It employs subcritical refrigeration technology (亞臨界製冷技術) and heat transfer with controlled pressure technology (控壓傳熱技術) for rapid freezing and adhesion.

This product candidate consists of a flexible cryoprobe (冷凍探頭) and an accompanying cryosurgery equipment (配套冷凍設備). During the operation, the cryoprobe is connected to the cryosurgery equipment, and the distal end of the cryoprobe is brought into contact with the target tissue or foreign body under endoscopic guidance for cryoadhesion to achieve tissue biopsy, stenosis recanalization and foreign body removal.

We have submitted the registration application for the Cryoadhesion System as at the date of this annual report. We expect to obtain approval from the NMPA for the product in the first quarter of 2024.

9. ***Gastric Cryoablation System***

Our Gastric Cryoablation System (胃部冷凍消融系統) is a self-developed cryoablation system indicated for performing cryoablation on gastric tumors to treat gastric cancer.

The Gastric Cryoablation System consists of a cryotherapy equipment (冷凍治療設備) and a cryotherapy catheter (冷凍治療導管). During the procedure, the cryoablation equipment provides a stable delivery of liquid nitrogen and the catheter can pass through an electronic gastroscope into the stomach. The distal end of the catheter is connected to a pre-folded balloon, which can expand after passing through the electronic gastroscope to contact the target gastric mucosa, creating an ultra-low temperature at the balloon through the stable delivery of liquid nitrogen within the balloon to destroy target cells. When reaching the set freezing time, the system stops freezing process, and starts rewarming cycle which further destroys the target cells.

Our Gastric Cryoablation System is currently in the feasibility clinical trial phase. We expect to submit the product registration submission to the NMPA in the second half of 2025 and to obtain approval from the NMPA in the second half of 2026.

10. ***Esophageal Cryospray System***

Our Esophageal Cryospray System (食道冷凍噴霧治療系統) is used to perform endoscopic spray cryotherapy on patients with intermediate to advanced esophagus cancer to reduce the size of the tumor, alleviate the symptoms of dysphagia and improve their quality of life.

Patients with intermediate to advanced esophagus cancer may have trouble swallowing due to esophageal stricture as a result of tumor occupancy. Our Esophageal Cryospray System can spray liquid nitrogen directly on the surface of the tumor to destroy the tumor cells, thus reducing the volume of the tumor, alleviating the patient's dysphagia, and improving the quality of life.

Our Esophageal Cryospray System is currently in the feasibility clinical trial phase. We expect to submit the product registration submission to the NMPA in the second half of 2025 and to obtain approval from the NMPA in the first half of 2027.

Non-Cryotherapy Products and Product Candidates

1. ***Pulmonary Nodule Localization Needle***

Our Pulmonary Nodule Localization Needle (肺結節定位針), also known as the Disposable Pulmonary Nodule Localization Needle, is a single-use localization needle indicated for CT-guided localization of lung nodules in patients with lung nodules prior to undergoing thoracoscopic surgery. Our Pulmonary Nodule Localization Needle adopts a combination of multi-hook localization and flexible wire, which greatly reduces the risk of dislocation after localization to ensure safe and effective resection of pulmonary nodules during surgery.

The Pulmonary Nodule Localization Needle received the NMPA registration certificate in March 2019 and was subsequently commercialized in China in May 2019, and obtained CE Marking in January 2019. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approval for the Pulmonary Nodule Localization Needle.

2. ***Laparoscopic Single Port Multi-Channel Access Platform***

Our Laparoscopic Single Port Multi-Channel Access Platform (單孔多通道腹腔鏡手術入路系統), also known as the Disposable Multi-Channel Laparoscopic Access Platform, is a self-developed system used in laparoscopic surgery as a channel for the endoscope, instruments and hands during surgery. It is applicable for single incision laparoscopic surgery, NOTES, reduced-port laparoscopic surgery, or hand-assisted laparoscopic surgery.

The Laparoscopic Single Port Multi-Channel Access Platform received the Zhejiang MPA registration certificate in February 2017 and was subsequently commercialized in China in April 2017, and obtained CE Marking in January 2019. As of December 31, 2022, there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approval for the Laparoscopic Single Port Multi-Channel Access Platform.

3. ***Atrial Fibrillation Pulsed Field Ablation System***

Our Atrial Fibrillation Pulsed Field Ablation System (房顫脈衝電場消融(PFA)系統) ("**AF PFA System**") is indicated for use in the interventional treatment of paroxysmal atrial fibrillation. It destroys myocardial tissue with high voltage electrical impulses to achieve electrical isolation of the pulmonary vein vestibule, resulting in the therapeutic effect.

Our Atrial Fibrillation Pulsed Field Ablation System is currently in the stage of the pre-clinical study and is expected to be approved by the NMPA in the first half of 2026.

4. ***Anti-Gastroesophageal Reflux System***

Our self-developed Anti-Gastroesophageal Reflux System (抗胃食管反流系統) is a surgical device indicated for treating gastroesophageal reflux disease ("**GERD**") in the magnetic sphincter augmentation procedure. The magnetic sphincter augmentation procedure is designed to treat GERD by increasing the tension of the lower esophageal sphincter to achieve anti-reflux effect.

Our Anti-Gastroesophageal Reflux System is currently in the confirmatory clinical trial phase. We expect to submit the product registration submission to the NMPA in the first quarter of 2024 and to obtain approval from the NMPA in the first half of 2025.

5. ***Other Non-Cryotherapy Products***

Our non-cryoablation products also include our Wound Retractor (開創保護器), Ureteral Dilation Balloon Catheter (輸尿管擴張球囊導管), Laparoscopic Biopsy Bag (腹腔鏡用活檢袋) (also known as Endoscopic Biopsy Bag), and Laparoscopic Surgical Instrument (腹腔鏡手術器械). They are all single-use medical consumables. As of December 31, 2022, such non-cryoablation products were commercialized and there had not been any material unexpected or adverse changes since the date we received the relevant regulatory approvals for these non-cryoablation products.

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

Research and Development

We have established a dedicated product development team led by industry experts with extensive experience in the medical device industry or in the field of engineering research and development. As of December 31, 2022, our product development team consisted of an in-house research and development team of 86 employees and a clinical operation team of 37 employees (including certain management members undertaking product development functions). We have also developed relationships with industry leaders, including scientists, physicians and industry practitioners, giving us a thorough understanding of the clinical needs and demands of patients and physicians.

We have built a comprehensive intellectual property portfolio in China and overseas to protect our technologies, including our core liquid nitrogen cryoablation technology, flexible catheter technology and other key technologies. As of December 31, 2022, we owned 120 patents and 48 patent applications in China and overseas.

Production

In 2022, we manufactured, assembled and tested our products at our two production facilities, one being a leased property in Ningbo, Zhejiang Province and the other being a self-owned property in Shanghai, with a total gross floor area of over 12,800 square meters. Our production facility in Ningbo produces commercial products, mainly including our two Core Products, the Bladder Cryoablation System (膀胱冷凍消融系統) and the Endoscopic Clip for Anastomosis (內鏡吻合夾), as well as other commercialized products, including the Pulmonary Nodule Localization Needle and the Laparoscopic Single Port Multi-Channel Access Platform, and also produces, assembles and tests sample products related to NOTES. Our facility in Shanghai produces, assembles and tests sample products related to vascular intervention for product development.

Future and Outlook

Our mission is to become a global medical device platform in the field of minimally-invasive interventional cryotherapy, bringing benefits to patients and physicians worldwide with our cryotherapy technology. We plan to implement the following strategies to achieve our goal:

- Rapidly advance the clinical development and commercialization of our product candidates;
- Further expand our product portfolio leveraging technology platforms and continue to focus on minimally-invasive interventional cryotherapy;
- Continue to research and develop various underlying and supporting technologies; and
- Selectively expand our worldwide footprint.

II. FINANCIAL REVIEW

Revenue

Our revenue increased by RMB4.7 million, or 21.1%, from RMB22.4 million for the year ended December 31, 2021 to RMB27.1 million for the year ended December 31, 2022, mainly driven by the increase in the unit price and sales volume of the Pulmonary Nodule Localization Needle, as well as the commercialization of our Core Products.

Cost of Sales

Our cost of sales increased from RMB6.9 million for the year ended December 31, 2021 to RMB7.8 million for the year ended December 31, 2022, which was generally in line with the increase in the sales of our commercialized products in 2022.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased from RMB15.5 million for the year ended December 31, 2021 to RMB19.4 million for the year ended December 31, 2022. Our overall gross profit margin increased slightly to 71.3% from 69.3% for the year ended December 31, 2021, remained relatively stable, primarily due to the increase in revenue from our Pulmonary Nodule Localization Needle and the increase in sales of our Core Products.

Other Income and Gains

Our other income and gains increased significantly from RMB4.4 million for the year ended December 31, 2021 to RMB11.4 million for the year ended December 31, 2022, mainly due to the increase in large government subsidies received in 2022 and the increase in net foreign exchange differences as a result of the appreciation of the U.S. dollar against the RMB.

Research and Development Expenses

Our research and development expenses primarily consisted of (i) staff costs for our research and development personnel; (ii) cost of materials and consumables used; (iii) share-based payments; (iv) clinical trial fees, including payment to hospitals, contract research organizations, site management organizations, and other service providers in connection with our research and development activities; and (v) expenditures in proprietary technologies. The following table sets forth a breakdown of our research and development expenses for the years indicated:

	Year Ended December 31,			
	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Expenditures in proprietary technologies	**–**	**–**	50,973	56.7
Staff cost	**32,285**	**53.8**	18,295	20.4
Cost of materials and consumables used	**11,501**	**19.2**	7,118	7.9
Share-based payments	**4,612**	**7.7**	4,933	5.5
Clinical trial fees	**5,635**	**9.4**	4,963	5.5
Depreciation and amortization	**517**	**0.9**	393	0.4
Others[(1)]	**5,383**	**9.0**	3,152	3.6
Total	**59,933**	**100**	89,827	100.0

Note:

(1) Primarily included intellectual property and CE certification expenses, business travel and transportation expenses incurred by our research and development staff, animal experiment expenses and product design expenses.

Our research and development expenses decreased by RMB29.9 million, or 33.3%, from RMB89.8 million for the year ended December 31, 2021 to RMB59.9 million for the year ended December 31, 2022, primarily due to (i) the expenditures in relation to the acquisition of individual self-developed proprietary technologies for a total consideration of RMB51.0 million in 2021 (i.e. expenditures in proprietary technologies), which were one-off expenses and were classified as research and development expenses; (ii) the increase in staff cost of RMB14.0 million resulting from the increase in the number and average salaries of our research and development personnel in 2022; and (iii) the increase in material expenditures in ongoing research and development projects of RMB4.4 million.

Administrative Expenses

Our administrative expenses increased by RMB33.0 million, or 65.0%, from RMB50.8 million for the year ended December 31, 2021 to RMB83.8 million for the year ended December 31, 2022, primarily due to (i) the increase in staff cost of RMB9.8 million as a result of salary adjustment and an increase in the number of administrative personnel; and (ii) the increase in professional service fees of RMB13.7 million paid to the professional parties of the global offering of the Company.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB4.8 million for the year ended December 31, 2021 and RMB4.6 million for the year ended December 31, 2022.

Other Expenses

Our other expenses remained relatively stable at RMB0.7 million for the year ended December 31, 2021 and RMB0.2 million for the year ended December 31, 2022.

Finance Costs

Our finance costs remained relatively stable at RMB0.4 million for the year ended December 31, 2021 and RMB0.6 million for the year ended December 31, 2022.

Income Tax Expenses

Our principal applicable taxes and tax rates are set forth as follows:

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC (the "**CIT Law**"), the Company and our PRC subsidiaries are subject to a standard corporate income tax rate of 25% on taxable income, except that Ningbo SensCure was qualified as a "High and New Technology Enterprise" to enjoy a preferential income tax rate of 15% during the Reporting Period. The related tax authorities review the "High and New Technology Enterprise" status every three years. Ningbo SensCure has been qualified and will continue to qualify as a "High and New Technology Enterprise" for three years starting from 2021.

No provision for Mainland China income tax has been provided for pursuant to the CIT Law and the respective regulations, as our Group's PRC entities have no estimated assessable profits.

United States

Among our subsidiaries, Cryofocus America, Inc. was incorporated in California, the U.S. and was subject to statutory U.S. federal corporate income tax at a rate of 21% during the Reporting Period. It is also subject to the state income tax in California during the Reporting Period. No provision for federal corporate income tax and the state income tax has been provided as the subsidiary has no estimated assessable profits.

We did not record any income tax expense during the Reporting Period. Our Directors confirm that during the Reporting Period, we had made all the required tax filings and had paid all outstanding tax liabilities with the relevant tax authorities in the relevant jurisdictions and we are not aware of any outstanding or potential disputes with such tax authorities.

Loss for the Year

As a result of the foregoing, our loss for the year decreased from RMB126.5 million for the year ended December 31, 2021 to RMB118.3 million for the year ended December 31, 2022.

Liquidity and Financial Resources

Our primary use of cash is to fund the development of our product candidates, clinical trials, payment for the purchase of plant and equipment, administrative expenses and other recurring expenses. Our cash and cash equivalents increased by RMB68.5 million, or 43.4%, from RMB157.9 million as of December 31, 2021 to RMB226.4 million as of December 31, 2022. The increase was mainly due to:

For the year ended December 31, 2022, our net cash used in operating activities was RMB96.9 million, primarily because we incurred significant research and development expenses and administrative expenses during the Reporting Period. Our operating cash flow will continue to be affected by our research and development expenses.

For the year ended December 31, 2022, our net cash used in investing activities was RMB6.5 million, primarily attributable to the purchase of property, plant and equipment items of RMB7.0 million.

For the year ended December 31, 2022, our net cash generated from financing activities was RMB169.4 million, primarily attributable to the net proceeds we received from the Listing during the Reporting Period.

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 of the Company and cash generated from our operations.

Capital Expenditures

We regularly incur capital expenditures to expand and enhance our research and development facilities, establish our manufacturing capacities and increase our operating efficiency. Our capital expenditures primarily consisted of expenditures on machinery, office equipment, as well as leasehold improvements during the Reporting Period. The following table sets forth our capital expenditures for the years indicated:

	Year Ended December 31,	
	2022 ***RMB'000***	2021 *RMB'000*
Purchases of items of property, plant and equipment	**7,010**	12,436
Total	**7,010**	12,436

We expect to incur capital expenditures in the next five years primarily for purchase of equipment and the construction of our manufacturing facilities.We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

Indebtedness

The following table sets forth the components of our indebtedness as of the years indicated:

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Lease liabilities		
Current	**3,432**	2,595
Non-current	**7,939**	6,406
Total	**11,371**	9,001

The Company incurred no borrowings during the Reporting Period. The Company had no unutilized banking facilities in the Reporting Period and up to the date of this annual report.

Key Financial Ratios

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

	As of December 31,	
	2022	2021
Current ratio(1)	**5.8**	6.7
Quick ratio(2)	**5.3**	6.3
Gearing ratio(3)	**17.4%**	15.0%

Notes:

(1) Current ratio is calculated based on total current assets divided by total current liabilities.

(2) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(3) Gearing ratio is calculated based on total liabilities divided by total assets and multiplied by 100%.

Capital Commitments

The Group had the following capital commitments as of the dates indicated:

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and machinery	**2,052**	1,094

Pledge of Assets

As at December 31, 2022, there was no charge on assets of the Group.

Contingent Liabilities

As at December 31, 2022, the Group did not have any material contingent liabilities, guarantees or any litigation or claims of material importance, pending or threatened against any of its member.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures during the Reporting Period

The Group did not hold or make any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Foreign Exchange Exposure

We are exposed to foreign currency risk mainly arising from cash and cash equivalents which are denominated in Renminbi, USD and HKD. 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.

Future Plans for Material Investments or Capital Assets

The Group had not authorized any plan for any material investments or acquisitions of capital asset as of the date of this annual report.

Human Resources

As of December 31, 2022, the Group had 375 full-time employees, and substantially all of them were based in China. The total employee benefits expenses of our Group, which consist of (i) terms, wages, salaries and bonuses, (ii) social security costs, (iii) employee welfare and (iv) equity-settled share options for the year ended December 31, 2022 were approximately RMB102.3 million. We recruit our employees after consideration of a number of factors, including our needs and expansion plans, and the candidates' work experience and educational background. We invest in continuing training programs for our management staff and other employees to upgrade their skills and knowledge continuously. We provide our employees with regular feedback as well as internal and external training in various areas, such as product knowledge, project development and team building. We also assess our employees based on their performance to determine their salary, promotion and career development. In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters including terms, wages, bonuses, employee benefits, and grounds for termination. In addition, we are required under PRC law to make contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurances) and housing funds at a certain percentage of our employees' salaries, including bonus and allowances, up to a maximum amount specified by the local government.

FINAL DIVIDEND

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

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. LI Kejian (李克儉), aged 54, joined our Group in March 2013 and has served as the chairperson of our Board and a Director since then. He was re-designated as an executive Director on December 28, 2021. He is responsible for overall management, business, and strategy of our Group and oversight of the commercial suitability and sustainability of our Group.

Mr. Li has more than 11 years of experience in the investment and medical device industries. From September 1990 to December 2006, Mr. Li was a technician at Hanchuan Machine Tool Co., Ltd. (漢川機床有限責任公司), a company principally engaged in the R&D and manufacturing of machine tools, machine tool components, and high-tech electromechanical products. Since November 2010, he has been a director of Beijing Boruilai Technology Investment Co., Ltd (北京博瑞萊科技投資有限公司) ("**Beijing Boruilai**"), a company principally engaged in project investment with a focus on power and electrical equipment, energy and environmental protection sectors, where he has participated in investment decisions. Since May 2014, he has served as the deputy general manager of Shanghai Shidi, one of our Controlling Shareholders, where he has been primarily responsible for the company's administration and human resources management, as well as participating in the company's investment decisions.

Mr. Li graduated in electrical engineering from State-Operated Hanchuan Machine Tool and Technician School (國營漢川機床廠技工學校) in Hanzhong in September 1990.

Mr. Li is the brother of Ms. Li, one of our Controlling Shareholders.

Mr. ZHU Jun (朱軍), aged 49, joined our Group in May 2019 as a director and the chief executive officer of Ningbo SensCure and has served as the general manager of our Company since October 2020. He was appointed as a Director in January 2021 and was re-designated as an executive Director on December 28, 2021. He is primarily responsible for the daily operations of our Group. He is currently a director of our subsidiaries, Ningbo SensCure, Beijifeng Biotechnology (Shanghai) Co., Ltd. (北極灃生物科技（上海）有限公司) ("**Beijifeng Biotechnology**") and Huifeng Biotechnology (Shanghai) Co., Ltd. (輝灃生物科技（上海）有限公司) ("**Huifeng Biotechnology**").

Mr. Zhu has more than 19 years of experience in the medical industry. From July 1997 to August 2001, he was a resident doctor at Affiliated Hospital of Nantong University (南通大學附屬醫院), primarily responsible for clinical diagnoses and treatments. From July 2004 to June 2017, he was a deputy general manager at Erbe China Ltd. (愛爾博（上海）醫療器械有限公司), a company principally engaged in promotion and sale of medical devices, where he was primarily responsible for nationwide marketing and sales, scientific research, and trainings. From February 2018 to September 2020, Mr. Zhu was an investment partner at Hangzhou Proxima Innovative Investment L.P. (Limited Partnership) (杭州比鄰星創新投資合夥企業（有限合夥）), a company principally engaged in investment in medical fields, where he was involved in research and analyses of medical devices.

Mr. Zhu graduated in clinical medicine from Nanjing Medical University (南京醫科大學) in Nanjing in July 1997. He further obtained his master's degree in clinical medicine from the Shanghai Medical College of Fudan University (復旦大學上海醫學院) in Shanghai in June 2004.

Non-executive Directors

Mr. LV Shiwen (呂世文), aged 54, has joined our Group since July 2014 as a Director and was re-designated as a non-executive Director on December 28, 2021. He is responsible for decision-making in respect of major matters such as overall strategies. He is also currently a director of Ningbo SensCure.

Mr. Lv has more than 20 years of experience in the medical device industry, especially in the R&D and production of medical devices. From July 1993 to April 1998, Mr. Lv was the deputy director of the research department and the management department of Shanghai Navigation Instrument General Factory (上海航海儀器總廠), a company specializing in marine, communication and navigation equipment, where he was primarily responsible for the R&D of navigation instrument technologies and quality management of the production department. From May 1998 to February 2000, he was a quality manager at Shanghai CIMC Generating Set Co., Ltd. (上海中集內燃機發電設備有限公司), a company principally engaged in the production of special internal combustion power generation equipment and diesel water pump units, where he was primarily responsible for quality management of the production department. From May 2000 to November 2001, Mr. Lv served as a manager of the quality control department and production department of MicroPort Medical (Shanghai) Co., Ltd. (微創醫療器械(上海)有限公司), a company principally engaged in the R&D, manufacturing and sales of cardiovascular interventional medical devices and a wholly-owned subsidiary of MicroPort Scientific Corporation (a company listed on the Stock Exchange; stock code: 853). From December 2001 to December 2002, he was the director of operations at Weike Medical Devices (Suzhou) Co., Ltd. (維科醫療器械(蘇州)有限公司), a company principally engaged in the R&D, manufacturing and sales of cardiovascular interventional medical devices, where he was primarily responsible for the R&D, quality control, and production management. Mr. Lv then served as the vice general manager of Lifetech Scientific (Shenzhen) Co., Ltd. (先健科技(深圳)有限公司), a company principally engaged in the R&D, manufacturing and sales of cardiovascular interventional medical devices and a wholly-owned subsidiary of LifeTech Scientific Corporation (a company listed on the Stock Exchange; stock code: 1302) from January 2003 to February 2009. From March 2009 to December 2011, Mr. Lv served as the general manager of Beijing Puhui Biomedical Engineering Co., Ltd. (北京市普惠生物醫學工程有限公司), a company principally engaged in the development, manufacturing and sales of biological valves.

Besides, Mr. Lv also holds directorships and senior management positions in certain close associates of our Controlling Shareholders (other than our Group). Since January 2013, Mr. Lv has successively served as the chief technology officer, a director and the chief executive officer of Jenscare Scientific Co., Ltd. (寧波健世科技股份有限公司) ("**Jenscare**"), a company principally engaged in the development of interventional products for the treatment of structural heart diseases. He is currently an executive director, the chairman of the board of directors, the chief executive officer and the chief technology officer of Jenscare, primarily responsible for the overall management of business operation, strategy and corporate development of the company and its subsidiaries. Since October 2014, he has also been an executive director of Ningbo Dixiang Venture Capital Co., Ltd. (寧波迪翔創業投資有限公司) (formerly known as Ningbo Dixiang Medical Technology Co., Ltd. (寧波迪翔醫療科技有限公司)) an investment holding company with a focus on the life sciences and healthcare industries. Further, since July 2018, he has been a non-executive director of Ningbo Hicren Biotechnology Co., Ltd. (寧波華科潤生物科技有限公司), a company principally engaged in the R&D, manufacturing and sales of medical devices used for vertebroplasty.

Mr. Lv obtained his bachelor's degree in machinery manufacturing and equipment from Harbin Engineering University (哈爾濱工程大學) (formerly known as Harbin Shipbuilding Engineering Institute (哈爾濱船舶工程學院) in Harbin in July 1993. Mr. Lv is currently a member of Zhejiang Pharmaceutical Society Medical Device Expert Committee (浙江省藥學會醫療器械專家委員會) and a mentor of the Center for China Cardiovascular Innovations (中國心血管醫生創新學院).

Mr. SUN Xiaolu (孫曉路), aged 47, joined our Group in November 2018 as a Director and was re-designated as a non-executive Director on December 28, 2021. Mr. Sun resigned as a non-executive Director on March 16, 2023. Prior to his resignation, Mr. Sun was primarily responsible for decision-making in respect of major matters such as overall strategies.

Mr. Sun has more than 14 years of experience in financial management. From July 2002 to August 2005, Mr. Sun worked at Philips (China) Investment Co., Ltd. (飛利浦(中國)投資有限公司), a company specializing in medical equipment during which he once served as a senior scientist at its Shanghai branch. From May 2007 to October 2015, he was a partner at DT Capital Investment & Consulting (Shanghai) Co., Ltd. (德同豐嘉(上海)私募基金管理有限公司) (formerly known as DT Capital Management (Shanghai) Co., Ltd. (德同投資諮詢(上海)有限公司)), a company principally engaged in venture capital investment, where he was primarily responsible for venture capital investments. Since October 2015, Mr. Sun has been the founder and a representative for the executive partner of Hangzhou Proxima Innovative Investment Management L.P. (Limited Partnership) (杭州比鄰星創新投資管理合夥企業(有限合夥)), a company principally engaged in venture capital investment, where he was primarily responsible for venture capital investments. Since October 2018, he has also been a representative for the executive partner of Suzhou Proxima Venture Investment L.P. (Limited Partnership) (蘇州比鄰星創業投資合夥企業(有限合夥)), a company principally engaged in venture capital investment, where he was primarily responsible for venture capital investments.

Mr. Sun obtained his bachelor's degree in applied electronic technology from Zhejiang University (浙江大學) in Hangzhou in June 1997. He obtained his master's degree in electronic science and technology from Zhejiang University (浙江大學) in Hangzhou in March 2000. Further, he obtained his master's degree in business administration from The Hong Kong University of Science and Technology (香港科技大學) in Hong Kong in November 2007.

Mr. ZHAO Chunsheng (趙春生), aged 51, has joined our Group since June 2021 as a Director and was re-designated as a non-executive Director on December 28, 2021. He is primarily responsible for decision-making in respect of major matters such as overall strategies.

Mr. Zhao has more than 22 years of experience in the medical device industry. From April 1999 to July 2020, he was the deputy general manager and general manager at Shanghai Medical Instrument (Group) Co., Ltd. (上海醫療器械(集團)有限公司), a company specializing in X-ray, surgical instruments, disinfection equipment and sanitary materials, where he was primarily responsible for formulation of strategies and operational management of the company. From June 2009 to June 2012, Mr. Zhao served as a director of Beijing Wandong Medical Technology Co., Ltd. (北京萬東醫療科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600055) and principally engaged in the R&D and manufacturing of imaging medical devices, where he was primarily responsible for formulating strategies for the company.

Besides, Mr. Zhao also holds directorships and senior management positions in Ningbo Linfeng, one of our Controlling Shareholders, and certain close associates of our Controlling Shareholders (other than our Group). Mr. Zhao has been an executive director of Ningbo Naruinode Medical Technology Co., Ltd. (寧波納睿諾德醫療科技有限公司) (a company principally engaged in the R&D, manufacturing and sales of radiation imaging devices such as static computerized tomography (CT)) since December 2020, Dalian Qikexing Medical Instrument Co., Ltd. (大連七顆星醫療器械有限公司) (a company principally engaged in the R&D, manufacturing and sales of medical devices used in neurosurgical procedures) since March 2021, Ningbo Huifeng Biotechnology Co., Ltd. (寧波慧灃生物科技有限公司) (a company principally engaged in the R&D, manufacturing and sales of medical devices used in neurosurgical procedures) since June 2021 and Shanghai Pannuoxi Medical Technology Co., Ltd. (上海潘諾西醫療科技有限公司) (a company principally engaged in the R&D, manufacturing and sales of medical modeling products and personalized implant materials) since November 2021. Since October 2021, he has been the general manager of Ningbo Linfeng, where he has been primarily responsible for operational management. Since January 2022, he has been a non-executive director and the board chairman of Ningbo Dize Biotechnology Co., Ltd. (寧波迪澤生物科技有限公司) a company principally engaged in the R&D, manufacturing and sales of passive medical devices used in treating arteriosclerosis associated with coronary heart diseases.

Mr. Zhao obtained his master's degree in vehicle engineering and inspection from Jilin University of Technology (吉林工業大學) in Jilin in March 1999. He also obtained his master's degree in business management from Shanghai Jiao Tong University (上海交通大學) in Shanghai in March 2003. Mr. Zhao has also been certified as an engineer by Shanghai Pharmaceutical Group Co., Ltd. (上海醫藥(集團)有限公司) since December 2002.

Independent Non-executive Directors

Dr. GAO Dayong (高大勇), aged 64, was appointed as our independent non-executive Director on December 2, 2021 with his appointment taking effect upon Listing. He is responsible for providing independent advice and judgment to our Board.

Dr. Gao has more than 23 years of experience in teaching and scientific research. He was a senior research scientist at Cryobiology Research Institute of the Methodist Hospital of Indiana, primarily responsible for participating in and leading scientific research, as well as development of new technologies and applications. Dr. Gao was a tenured full professor from January 1998 to June 2004 and has been the Baxter Healthcare Chair of Engineering since July 2004 at the Department of Mechanical Engineering and Center for Biomedical Engineering at the University of Kentucky, primarily responsible for teaching, scientific research, and technology transformation. He has also been the tenured full professor of the Department of Mechanical Engineering and Department of Bioengineering since September 2004 and the ORIGINCELL Endowed Professor since July 2019 at the University of Washington, primarily responsible for teaching, scientific research and technology transformation.

Dr. Gao obtained his bachelor's degree in modern mechanics from the University of Science and Technology of China (中國科學技術大學) in Hefei in February 1982. He further obtained his doctor's degree in mechanical engineering and biomedical engineering from Concordia University in Montreal in May 1991.

Mr. LIANG Hsien Tse Joseph (梁顯治), aged 68, was appointed as our independent non-executive Director on December 2, 2021 with his appointment taking effect upon Listing. He is responsible for providing independent advice and judgment to our Board.

Mr. Liang has more than 14 years of experience in teaching and financial management. From August 2001 to August 2003, he was the financial controller of Skyworth Digital Holdings Ltd (創維數碼控股有限公司), a company listed on the Stock Exchange (stock code: 751) principally engaged in the manufacturing and sale of TV sets, DVDs and related products. Since February 2009, he has been an associate professor at Beijing Normal University-Hong Kong Baptist University United International College (北京師範大學－香港浸會大學聯合國際學院). From October 2009 to September 2011, he was the managing director of financial planning and development at Beijing Normal University-Hong Kong Baptist University United International College (北京師範大學－香港浸會大學聯合國際學院). From October 2011 to November 2013, he worked at Total Wireless Solutions (Macao Commercial Offshore) Limited (明美製品(澳門離岸商業服務)有限公司), where he was responsible for financial matters of the company, and he served as an executive vice president of the finance department from October 2011 to July 2013.

Besides, since October 2011, Mr. Liang has been an independent non-executive director of LifeTech Scientific Corporation (先健科技公司), a company listed on the Stock Exchange (stock code: 1302) and principally engaged in the manufacturing and marketing of minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. Since February 2013, he has been an independent non-executive director of North Asia Strategic Holdings Ltd (北亞策略控股有限公司), a company listed on the Stock Exchange (stock code: 8080) and principally engaged in investments in high-tech product related businesses.

Mr. Liang obtained a diploma in business management licensing from Hong Kong Baptist College (香港浸會學院) in Hong Kong in December 1977. He obtained his master's degree in professional accounting from the University of Texas at Austin (美國德克薩斯大學奧斯丁學院) in Austin in June 1981. He further obtained his bachelor's degree in language and translation through long distance learning courses from The Open University of Hong Kong (香港公開大學) in Hong Kong in December 2007. Mr. Liang is currently a fellow of the Association of Chartered Certified Accountants (ACCA) (特許公認會計師公會) (formerly known as the Chartered Association of Certified Accountants), an associate of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) (formerly known as the Hong Kong Society of Accountants), and a fellow member of the Texas Society of Certified Public Accountants.

Dr. QIN Zheng (覃正), aged 65, was appointed as our independent non-executive Director on December 2, 2021 with his appointment taking effect upon Listing. He is responsible for providing independent advice and judgment to our Board.

Dr. Qin has years of experience in teaching and academic research in areas including enterprise management and risk management. Dr. Qin was a doctoral adviser and professor at the School of Management of Xi'an Jiaotong University (西安交通大學) in Shaanxi. He was also a doctoral adviser and professor at the School of Information Management and Engineering of the Shanghai University of Finance and Economics (上海財經大學). He is also the founding vice principal of and currently a doctoral adviser and professor of the Southern University of Science and Technology (南方科技大學). Further, Dr. Qin has also taken up various research projects and published various journals covering areas such as enterprise management and risk management.

Dr. Qin obtained his master's degree in engineering from Xidian University (西安電子科技大學) in Shaanxi in March 1991. He further obtained his doctor's degree in mechanical manufacturing from Xidian University (西安電子科技大學) in July 1994.

Dr. HU Henan (胡赫男), aged 35, was appointed as our independent non-executive Director on November 5, 2022 with her appointment taking effect upon Listing. She is responsible for providing independent advice and judgment to our Board.

Dr. Hu has more than five years of experience in law and teaching. Since December 2014, she has been a supervisor of Guangzhou Yunsu Technology Co., Ltd. (廣州雲溯科技有限公司), a company principally engaged in provision of software and information technology services. From August 2016 to January 2017, she was an assistant professor at Xiamen University (廈門大學), where she was primarily responsible for teaching and research. Since July 2017, Dr. Hu has been a lecturer at South China University of Technology (華南理工大學), where she has been primarily responsible for teaching and research. Since November 2018, she has been a supervisor of Guangzhou Cloud Stack Technology Co., Ltd. (廣州雲棧科技有限公司), a company principally engaged in provision of software and information technology services.

Dr. Hu obtained her bachelor's degree in law from the China University of Political Science and Law (中國政法大學) in Beijing in July 2009. She further obtained her master's degree in law from the University of Hong Kong (香港大學) in Hong Kong in November 2010 and her doctor's degree in law from the University of Hong Kong (香港大學) in Hong Kong in December 2016. She also obtained her legal profession qualification (法律職業資格) from the Ministry of Justice of the PRC (中華人民共和國司法部) in March 2010.

SUPERVISORS

Ms. LI Cuiqin (李翠琴), aged 29, joined our Group in August 2018 as the chief accountant and has served as a deputy manager of the management department of our Company since September 2019. In this capacity, she is primarily responsible for financial matters of our Company. She has been our employees' representative Supervisor since November 2018.

Ms. Li has more than five years of experience in finance. Prior to joining our Group, from September 2015 to June 2017, Ms. Li was an accountant for supplies at Elec-Tech International Co., Ltd. (廣東德豪潤達電氣股份有限公司), a company specializing in home appliances, where she was primarily responsible for financial matters.

Ms. Li obtained her bachelor's degree in logistics management from Hubei University of Education (湖北第二師範學院) in Wuhan in June 2015.

Mr. ZHU Haorong (朱浩榮), aged 42, joined our Group in June 2020 and has been our shareholders' representative Supervisor since then.

Mr. Zhu has approximately 19 years of experience in research, project management and business management. From August 2002 to June 2010, Mr. Zhu was an engineer at the East-China Research Institute of Computer Technology (中國電子科技集團公司第三十二研究所). From July 2010 to September 2012, he was a project manager at Shanghai Hugang Jinmao Accounting Co., Ltd. (上海滬港金茂會計師事務所有限公司), a company principally engaged in construction engineering consultancy services, accounting, auditing and asset evaluation. From August 2012 to August 2013, he was a project manager at Tianjin Qiaobo Investment Consulting Management Co., Ltd. (天津喬博投資諮詢管理有限公司), a company principally engaged in project investment consultancy services and business management and planning. Since August 2013, he has been the general manager at Suzhou Qiaojing Investment Management Consulting Co., Ltd. (蘇州喬景投資管理諮詢有限公司), a company principally engaged in investment management and consultancy services. Since June 2013, he has been a director and the general manager at Suzhou Qiaojing Oriental Investment Management Consulting Co., Ltd. (蘇州喬景東方投資管理諮詢有限公司), a company principally engaged in investment management and consultancy services. Since December 2014, he has been the chairman of the board of directors at Nantong Qiaojie Investment Management Co., Ltd. (南通喬杰投資管理有限公司), a company principally engaged in investment management and consultancy services. Since June 2016, he has been the chairman of the board of directors at Nantong Tianzhu Qiaojing Investment Management Co., Ltd. (南通天助喬景投資管理有限公司), a company principally engaged in investment management and consultancy services.

Mr. Zhu obtained his bachelor's degree in computer networks from Fudan University (復旦大學) in Shanghai in July 2006. He also obtained his master's degree in software and domain engineering from Shanghai Jiao Tong University (上海交通大學) in Shanghai in June 2010. He is currently a non-practicing member of the Chinese Institute of Certificated Public Accountants (中國註冊會計師協會).

Mr. QIU Junkang (邱軍康), aged 44, joined our Group in April 2013 and has been a driver and an administrative assistant of our Company, primarily responsible for administrative matters of our Company and carrying out various responsibilities delegated by the management department. He has been our employees' representative Supervisor since November 2018.

SENIOR MANAGEMENT

Mr. ZHU Jun (朱軍), aged 49, is our executive Director and general manager. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management – Directors – Executive Directors" in this section.

Mr. DIAO Yuepeng (刁月鵬), aged 38, joined our Group in September 2013 and has successively served as an engineer in the R&D department and as a deputy vice president since then, primarily responsible for our Company's product development and management. Mr. Diao is currently a director and the general manager of our subsidiaries, Beijifeng Biotechnology, Huifeng Biotechnology, Ningbo Beijifeng Biotechnology Co., Ltd. (寧波北極灃生物科技有限公司) and Ningbo Huifeng Biotechnology Co., Ltd. (寧波輝灃生物科技有限公司). He is primarily responsible for the daily operations and strategy execution of the aforementioned subsidiaries.

Mr. Diao has more than 12 years of experience in the medical device industries. Prior to joining our Group, from June 2007 to June 2009, he was an automation control engineer at Shanghai Tauto Biotech Co., Ltd. (上海同田生物技術有限公司), a company principally engaged in the R&D of biomedicine, and the production and sales of plant intermediates and instruments, where he was primarily responsible for the R&D of scientific instruments. From May 2011 to January 2013 and from April 2013 to September 2013, he worked at AccuTarget MediPharma (Shanghai) Co., Ltd. (上海導向醫療系統有限公司), a company principally engaged in the R&D and production of medical devices, provision of technical consultation and after-sales technical services. From January 2013 to April 2013, he was a manager of the technology department at DH (Shanghai) Medica Tec Co., Ltd. (上海道恒醫療科技股份有限公司, formerly known as DH (Shanghai) Medica Device Co., Ltd. (上海道恒醫療器械有限公司)), a company principally engaged in medical technology development, technical consultation and services, technology transfer, and the import and export of goods and technologies.

Mr. Diao obtained his bachelor's degree in electromechanical technology education from Shanghai Normal University (上海師範大學) in Shanghai in July 2006. He further obtained his master's degree in software engineering from the University of Science and Technology of China (中國科學技術大學) in Anhui in June 2016.

Mr. Diao is the brother-in-law of Dr. ZHAO Kuiwen (趙奎文), the Company's technical director and R&D manager.

Mr. LIU Wei (劉偉), aged 33, has joined our Group as our chief financial officer and Board secretary since October 2020, and was appointed as a joint company secretary of the Company on December 28, 2021. He is primarily responsible for financial planning of our Group, investor relations and providing support to our Board. Mr. Liu is also currently a director of our subsidiaries, Beijifeng Biotechnology and Huifeng Biotechnology.

Mr. Liu has approximately eight years of experience in audits. Prior to joining our Group, from October 2012 to September 2020, he worked as an audit project manager at the Shanghai branch of Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)), where he was primarily responsible for financial audits of listed companies and multinational corporations.

Mr. Liu obtained his bachelor's degree in international accounting from Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院) (previously known as Shanghai Lixin University of Commerce (上海立信會計學院)) in Shanghai in July 2012. He is currently a non-practicing member of the Chinese Institute of Certificated Public Accountants (中國註冊會計師協會).

On March 30, 2023, the Board resolved to propose Mr. Liu to be appointed as an executive Director. Such proposed appointment is subject to the approval from the Shareholders at the AGM and will take effect upon the approval from the Shareholders at the AGM.

Mr. Thach Buu DUONG, aged 55, joined our Group in March 2013. Between March 2013 and September 2020, he successively served as a director of R&D and a general manager of our Company. He is currently the deputy general manager of our Company and is primarily responsible for overseeing the operations of Cryofocus America Inc., our wholly-owned subsidiary. He is also currently a director of Cryofocus America Inc..

Mr. Duong has more than 24 years of experience in engineering. Prior to joining our Group, from December 1992 to August 1996, he successively served as a design engineer and a project engineer at Able Corporation. From August 1996 to June 1998, he was a design engineer at Parker Hannifin Corporation (formerly known as Parker Appliance Company), a company listed on the New York Stock Exchange (stock symbol: PH) and principally engaged in the design and manufacturing of flight control systems. From July 1998 to December 2000, he was a project engineer at Robertshaw Controls Company, a company principally engaged in the design and manufacturing of controls for commercial and home appliances. From December 2000 to July 2001, he was a senior mechanical engineer at Newport Corporation, a company principally engaged in the design and manufacturing of fiber optic laser welders and a wholly-owned subsidiary of MKS Instruments, Inc., which is listed on the NASDAQ Stock Exchange (stock symbol: MKSI). From September 2001 to February 2010, he was a manager at the mechanical engineering department at Endocare Inc, a company specializing in cryoablation for tumors. From July 2010 to February 2012, he was a mechanical engineering department manager at Nearfield Systems Inc., a company principally engaged in the design and manufacturing of antenna measurement systems and software.

Mr. Duong obtained his bachelor of science in mechanical engineering from California State University of Long Beach in California in December 1992. He has also obtained his professional engineer license in mechanical engineering from the State Board of Registration for Professional Engineers and Land Surveyors in the State of California since February 1997.

Mr. LIU Yulong (劉玉龍), aged 46, has joined our Group as a vice general manager of our Company since September 2018. He is primarily responsible for medical, clinical and market development of our Group.

Mr. Liu has more than 17 years of experience in the pharmaceutical and medical device industries. Prior to joining our Group, from March 1999 to June 2000, he was a medical representative at Anhui Anke Biotechnology (Group) Co., Ltd. (安徽安科生物工程(集團)股份有限公司), a company principally engaged in the R&D, manufacturing and sales of biopharmaceutical products. From January 2004 to February 2006, he was a sales representative at Boehringer Ingelheim Shanghai Pharmaceuticals Co., Ltd. (上海勃林格殷格翰藥業有限公司), a company principally engaged in the R&D, manufacturing and sales of pharmaceutical drugs. From February 2006 to March 2017, he was a sales manager at Medtronic (Shanghai) Management Co., Ltd. (美敦力(上海)管理有限公司), a company principally engaged in the R&D, manufacturing and sales of medical instruments. From March 2018 to August 2018, he was the general manager of LY Photoelectric Technology Co., Ltd. (江蘇龍元光電科技有限公司), a company principally engaged in the manufacturing and export of photovoltaic technologies, where he was primarily responsible for project execution.

Mr. Liu obtained his bachelor's degree in biotechnology from South China Agricultural University (華南農業大學) in Guangzhou in July 1999.

Dr. ZHAO Kuiwen (趙奎文), aged 39, joined our Group in September 2017 as an R&D engineering supervisor, and has served as a technical director and R&D manager of our Company since March 2019. He is primarily responsible for the R&D activities of our Group.

Prior to joining our Group, from September 2015 to September 2017, Dr. Zhao worked as a post-doctoral research fellow at Shanghai Jiao Tong University (上海交通大學), primarily responsible for carrying out post-doctoral research.

Dr. Zhao obtained his bachelor's degree in thermal energy and kinetic engineering from Shandong University of Science and Technology (山東科技大學) in Shandong in June 2006 and his master's degree in refrigeration and cryogenic engineering from the University of Shanghai for Science and Technology (上海理工大學) in Shanghai in March 2009. He further obtained his doctor's degree in engineering thermophysics from Shanghai Jiao Tong University (上海交通大學) in Shanghai in September 2015. Dr. Zhao has been a member of the Interventional Medicine Engineering Professional Committee (介入醫學工程專業委員會委員) of the Shanghai Society of Biomedical Engineering (上海市生物醫學工程學會) since September 2020.

Dr. Zhao is the brother-in-law of Mr. DIAO Yuepeng (刁月鵬), a deputy vice president of the Company.

Dr. QU Jihong (瞿紀洪), aged 59, has joined our Group as our chief medical officer since March 2022. He is primarily responsible for formulating strategies in respect of matters including product application, technology deployment, entry into overseas markets and introduction of international innovative products.

Dr. Qu has years of experience in research in areas including cardiac electrophysiology and heart diseases and the medical device industry. Prior to joining our Group, he was a research assistant at the Department of Physiology and Biophysics of the University of Sherbrooke, primarily responsible for participating in cardiac electrophysiology research projects and assisting in the management of preclinical research laboratories, and a postdoctoral scientist at Columbia University, primarily responsible for leading and conducting research projects relating to treatment of heart diseases through emerging biotechnologies, including stem cell and gene therapy technologies. Dr. Qu further worked at Guidant Corporation, a company principally engaged in the design, development, manufacturing, and sales of medical devices for treatment of vascular diseases, where he was primarily responsible for research projects on the application of biotechnology to medical devices and innovative therapies with the use of biotechnology. From December 2014 to November 2017, Dr. Qu was the director of clinical affairs at Abbott Medical (Shanghai) Co., Ltd. (formerly known as St. Jude Medical (Shanghai) Co., Ltd.), a company principally engaged in the design, development, manufacturing, and sales of medical devices for treatment of heart diseases, where he was primarily responsible for formulation of strategies on and execution of clinical affairs in Asia. From December 2017 to March 2019, he was a vice president of clinical and regulatory registration affairs at Peijia Medical Limited (沛嘉醫療有限公司), a company listed on the Stock Exchange (stock code: 9996) and principally engaged in the research and development of transcatheter valve therapeutic and neurointerventional medical devices, where he was primarily responsible for regulatory registration affairs. From April 2019 to June 2020, he was a vice president of medical, clinical and regulatory affairs at Boston Scientific Corporation, a company listed on the New York Stock Exchange (stock symbol: BSX) and principally engaged in the manufacturing and sales of medical devices used in interventional medical specialties, where he was involved in medical, clinical and regulatory affairs. From October 2020 to February 2022, he was the chief medical officer at Genesis Medtech Group (健適醫療科技集團), a company principally engaged in the R&D, manufacturing and sales of surgical and vascular interventional medical devices, where he was primarily responsible for formulating strategies on medical applications and technology deployment.

Dr. Qu obtained his bachelor's degree in biomedical engineering from Shanghai Jiao Tong University in Shanghai (上海交通大學) in July 1986 and his master's degree in biomedical engineering from the Shanghai Medical College of Fudan University (復旦大學上海醫學院) (formerly known as Shanghai Medical University (上海醫科大學)) in Shanghai in July 1989. He obtained his doctor's degree in science from University of Sherbrooke in Quebec in December 1996. Further, Dr. Qu obtained his master's degree in business administration from the Carlson School of Management of the University of Minnesota in Minneapolis in July 2008.

Mr. CHEN Zhimin (陳智敏), aged 39, joined our Group in May 2014. Since May 2014, he has successively held various positions in our Group, including an R&D engineer, R&D manager, R&D supervisor and R&D director, and is currently an executive vice president of Ningbo SensCure, our wholly-owned subsidiary. He is also currently a director and the general manager of our subsidiaries, Shanghai SensCure Biotechnology Co., Ltd. (上海勝杰康生物科技有限公司) and Ningbo Shengjielong Medical Equipment Co., Ltd. (寧波勝杰隆醫療器材有限公司). He is primarily responsible for the daily operations and overall management of the aforementioned subsidiaries.

Mr. Chen has more than 12 years of experience in engineering. Prior to joining our Group, from July 2008 to June 2009, he was an R&D engineer at Shenzhen Sullair Asia Industrial Co., Ltd. (深圳壽力亞洲實業有限公司), a company principally engaged in the manufacturing and sales of air compressors, vacuum pumps and related products, where he was primarily responsible for the R&D, assembly, testing and manufacturing of air compressor equipment, prototypes and related parts. From January 2010 to May 2014, he was an R&D engineer at Ningbo Pangeo Machinery Industries Ltd. (寧波磐吉奧機械工業有限公司), a company principally engaged in the manufacturing and sales of car parts, where he was primarily responsible for the new project development, as well as formulation and improvement of processes.

Mr. Chen obtained his bachelor's degree in mechanical design, manufacturing, and automation from Huazhong University of Science and Technology (華中科技大學) in Wuhan in June 2006. He further obtained his master's degree in mechanical design and theory from Huazhong University of Science and Technology (華中科技大學) in Wuhan in June 2008.

JOINT COMPANY SECRETARIES

Mr. LIU Wei (劉偉), aged 33, was appointed as a joint company secretary of our Company on December 28, 2021. Mr. Liu is also a member of senior management of our Company. For further details, please see the paragraph headed "Directors, Supervisors and Senior Management – Senior Management" in this section.

Ms. LEUNG Wai Yan (梁慧欣), was appointed as a joint company secretary of our Company on December 28, 2021. Ms. Leung currently serves as a manager of corporate services of Vistra Corporate Services (HK) Limited. She has over 15 years of experience in providing company secretarial services and compliance services to listed companies and private companies.

Ms. Leung obtained a bachelor's degree in business (administrative management) from the University of South Australia in April 2004.

Ms. Leung has been an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and an associate member of The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom since October 2009.

CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

Saved as disclosed in this annual report, the Company is not aware of any changes in Directors' or Supervisors' information that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2022.

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfill its role as a responsible corporate citizen.

Company continued to strengthen its cultural framework by focusing on the following:

- Vision: building a world-leading platform for minimally-invasive cryotherapy
- Mission: Specialize in development of cryoablation technology with commitment to research and development of innovative life science technology in China
- Values: Focus, precision, integration and innovation

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board always ensures that the objectives, values and strategies set are consistent with the corporate culture, while all directors take the lead to act and are committed to promoting the corporate culture. For details of the Company's performance during the Reporting Period, please see the section headed "Management Discussion and Analysis". The Board believes that the Company's existing business model is in line with the Company's objective and long-term strategy.

The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

CORPORATE GOVERNANCE PRACTICES

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

The Company has adopted the principles and code provisions set out in the CG Code as its own code to govern its corporate governance practices.

The Company regularly reviews its compliance with the CG Code and the Company was in compliance with all applicable code provisions set out in Part 2 of the CG Code from the Listing Date to December 31, 2022.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. For the period from the Listing Date and up to the date of this annual report, Mr. LI Kejian acted as the chairman of the Board and Mr. ZHU Jun acted as the general manager (equivalent to chief executive officer) of the Company.

The Board and the senior management, which collectively comprise experienced and high caliber, individuals can ensure the balance of power and authority. As at the date of this annual report, the Board comprises two executive Directors, two non-executive Directors and four independent non-executive Directors. There is no relationship (including financial, business, family or other material or connected relationship) among the Board members.

BOARD MEETINGS

Code provision C.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.

Since the Company was listed on December 30, 2022, there had not been any meeting held by the chairman of the Board with the independent non-executive Directors without the presence of other Directors during the period from the Listing Date and up to December 31, 2022. The chairman of the Board intends to hold at least one meeting per year with the independent non-executive Directors without the presence of other Directors.

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 enquiries, all Directors and Supervisors confirmed that they have complied with the Model Code during the period from the Listing Date up to December 31, 2022. 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, 2022.

BOARD OF DIRECTORS

As of the date of this annual report, the Board comprises two executive Directors, two non-executive Directors, and four independent non-executive Directors.

Executive Directors

Mr. LI Kejian *(Chairperson)*
Mr. ZHU Jun *(General manager)*

Non-executive Directors*

Mr. LV Shiwen
Mr. ZHAO Chunsheng

Independent Non-executive Directors

Dr. GAO Dayong
Mr. LIANG Hsien Tse Joseph
Dr. QIN Zheng
Dr. HU Henan

* Mr. SUN Xiaolu resigned as a non-executive Director on March 16, 2023.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

During the period from the Listing Date up to December 31, 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors, non-executive Directors, independent non-executive Directors and Supervisors has entered into a service contract with the Company which contains provisions in relation to, among other things, compliance with relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

Save as disclosed above, none of the Directors and Supervisors has or is proposed to have entered into any service contract with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

Pursuant to the Articles of Association, the Directors are elected and appointed by the Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment. The terms of office of non-executive Directors shall be three years and renewable upon re-election. The terms of office of independent non-executive Directors shall be three years, renewable upon re-election, but shall not exceed nine years. Any new director appointed to fill a casual vacancy to the Board shall only hold office until the first annual general meeting of the Company after acceptance of the appointment and shall be eligible for re-election by the Shareholders at the next following annual general meeting of the Company after appointment.

The Company may, in accordance with the Articles of Association, by ordinary resolution remove any Director before the expiration of his/her term of office. The removal may not affect any claim of the Director for damages that may be made pursuant to any contract.

Where vacancies on the Board exist, the Nomination Committee evaluates skills, knowledge and experience required by the Board, and identifies if there are any special requirements for the vacancy. The Nomination Committee identifies appropriate candidates and convenes Nomination Committee meeting to discuss and vote in respect of the nominated Directors and recommends candidates for Directors to the Board.

The Nomination Committee considers candidates with individual skills, experience and professional knowledge that can best assist and facilitate the effectiveness of the Board.

The Nomination Committee takes the policy on Board diversity of the Company into consideration when it considers the balance of composition of the Board as a whole.

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

RESPONSIBILITIES OF THE DIRECTORS

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

Every newly appointed Director should receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the Reporting Period, all Directors, namely Mr. LI Kejian, Mr. ZHU Jun, Mr. LV Shiwen, Mr. SUN Xiaolu (who resigned on March 16, 2023), Mr. ZHAO Chunsheng, Dr. GAO Dayong, Mr. LIANG Hsien Tse Joseph, Dr. QIN Zheng and Dr. HU Henan were regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. All Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary. All Directors are encouraged to attend relevant training courses at the Company's expenses and required to submit a signed training records to the Company on an annual basis.

Prior to the Listing, each of the aforesaid Directors has attended the training courses conducted by the legal adviser of the Company. The content of such training was related to the duties of directors and on-going obligations of listed companies.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of each of these committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established an Audit Committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The Audit Committee consists of one non-executive Director, namely Mr. ZHAO Chunsheng and two independent non-executive Directors, namely Mr. LIANG Hsien Tse Joseph and Dr. QIN Zheng. The chairperson of the Audit Committee is Mr. LIANG Hsien Tse Joseph, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary functions of the Audit Committee are to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board, which includes, amongst other things:

- proposing to our Board the appointment and replacement of external audit firms;
- supervising the implementation of our internal audit system;
- liaising between our internal audit department and external auditors;
- reviewing our financial information and related disclosures; and
- other duties conferred by our Board.

During the period from the Listing Date to December 31, 2022, the Audit Committee has not convened any meeting.

Remuneration Committee

The Company has established a Remuneration Committee with terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The Remuneration Committee consists of one executive Director, namely Mr. LI Kejian and two independent non-executive Directors, namely Mr. LIANG Hsien Tse Joseph and Dr. QIN Zheng. The chairperson of the Remuneration Committee is Dr. QIN Zheng.

The primary functions of the Remuneration Committee are to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements, which includes amongst other things:

- establishing, reviewing and making recommendations to our Board on our policy and structure concerning remuneration of our Directors and senior management;
- making recommendations to the Board concerning the remuneration package of each executive Director and members of senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and
- other duties conferred by our Board.

During the period from the Listing Date to December 31, 2022, the Remuneration Committee has not convened any meeting.

Details of the remuneration payable to each Director for the year ended December 31, 2022 are set out in Note 8 to the financial statements.

The remuneration (including equity-settled share award expense) of the members of senior management (including one Director) of the Group by band for the year ended December 31, 2022 is set out below:

Remuneration Bands (RMB)	Number of Persons
Nil to 1,000,000	1
1,000,001 to 1,500,000	2
1,500,001 to 2,000,000	2
2,000,001 to 2,500,000	2
12,000,001 to 12,500,000	1
Total	8

Nomination Committee

The Company has established a Nomination Committee with terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the CG Code. The Nomination Committee consists of one executive Director, namely Mr. LI Kejian and two independent non-executive Directors, namely Dr. QIN Zheng and Dr. HU Henan. The chairperson of the Nomination Committee is Mr. LI Kejian.

The primary function of the Nomination Committee is to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things:

- reviewing the structure, size and composition of our Board on a regular basis and making recommendations to our Board regarding any proposed changes;

- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;

- assessing the independence of our independent non-executive Directors;

- making recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors; and

- other duties conferred by our Board.

During the period from the Listing Date to December 31, 2022, the Nomination Committee has not convened any meeting.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the board diversity policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the nomination policy that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

As at the date of this annual report, our Board consists of seven male members and one female member with one Director aged 31 to 40 years old, one Director aged 41 to 50 years old, three Directors aged 51 to 60 years old and three Directors aged over 60 years old. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operation.

NOMINATION POLICY

All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

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

CORPORATE GOVERNANCE FUNCTION

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

As at the date of this annual report, the Board had performed the following duties:

- to formulate, review and improve the corporate governance system and condition of the Company;
- to review and monitor the training for and continuous professional development of the directors and senior management;
- to review and monitor the systems formulated by the Company and the compliance thereof, and make relevant disclosures in accordance with the laws and relevant provisions of the securities regulatory authority;
- to formulate, review and monitor the code of conduct and relevant compliance manual of employees and directors; and
- the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD MEETINGS AND COMMITTEE MEETINGS

The Company became listed on December 30, 2022. The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Both the Nomination Committee and the Remuneration Committee shall meet at least once every year; and the Audit Committee shall meet at least four a year. Notices of not less than fourteen days are given for all Board and committee meetings to provide all Directors or committee members with an opportunity to attend and include matters in the agenda for a regular meeting. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the intended date of the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairperson of the board or the committee members prior to the meeting.

Minutes of the Board meetings and committee meetings record in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Board or committee members and dissenting views expressed. Draft and final minutes of each Board meeting and committee meeting are sent to the relevant board or committee members for comments and records, respectively, within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

Since the Company was listed on December 30, 2022, no Board meeting, Audit Committee meeting, Remuneration Committee meeting and Nomination Committee was held during the period from the Listing Date up to December 31, 2022.

GENERAL MEETINGS

Since the Company was listed on December 30, 2022, no general meeting was held during the period from the Listing Date up to December 31, 2022.

BOARD DIVERSITY POLICY AND GENDER DIVERSITY IN WORKFORCE

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

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

The Company has taken, and will continue to take, steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. As of the date of this annual report, the Board consists of seven male members and one female member with one Director aged 31 to 40 years old, one Director aged 41 to 50 years old, three Directors aged 51 to 60 years old and three Directors aged over 60 years old. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation. The Company had targeted to achieve and had achieved at least one of female Director and 61% (229) of female employees of the Group and considers that the current gender diversity is satisfactory.

Going forward, the Company will continue to work to enhance gender diversity of the Board. The Board will use its best endeavors to appoint female Directors to the Board (keeping in mind the importance of management continuity and the timeline for retirement and re-appointment of Directors under the Articles) and Nomination Committee will use its best endeavors and on suitable basis to identify and recommend multiple suitable female candidates to the Board for its consideration on appointment of a Director. As of the date of this annual report, the Company has not set a target figure and timetable for increasing gender diversity at the Board level. The Company will also continue to ensure that there is gender diversity when recruiting staff at the middle to senior level so that the Company will have a pipeline of female management and potential successors to the Board in due time to ensure gender diversity of the Board. The Group will continue to emphasize training of female talent and providing long-term development opportunities for female staff.

Directors have a balanced mix of knowledge and skills, including but not limited to overall business management, finance and accounting, R&D, law and investment. They obtained degrees in various majors including clinical medicine, machinery manufacturing and equipment, business administration, law, engineering, modern mechanics and professional accounting. The Company has four independent non-executive Directors with different industry backgrounds, representing more than one third of the members of the Board. Further details on the biographies and experience of the Directors are set out on page 19 to page 23 of this annual report.

Workforce diversity

The gender ratio in the workforce (including senior management) for the year ended December 31, 2022 is approximately 39%:61% (male:female). The Board has not adopted any plan or measurable target for gender diversity as of the date of this annual report and is not aware of any factors or circumstances that would make it more challenging or less relevant for the Group to achieve gender diversity among its employees. For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the disclosures in the Environmental, Social and Governance Report as set out in this annual report.

BOARD INDEPENDENCE

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views. The current composition of the Board, comprising more than one third of the independent non-executive Directors and the majority members of the Audit Committee, Remuneration Committee and Nomination Committee are independent non-executive Directors. The Audit Committee and Remuneration Committee are both chaired by independent non-executive Directors. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

On the basis of the above measures that have been put into place, the Board is of the view that the above mechanism was effective in ensuring that independent views and input were available to the Board throughout 2022. The Board reviews the implementation and effectiveness of such mechanism on an annual basis.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

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

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

The Company has adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. The Audit Committee, and ultimately the Board, supervises the implementation of our risk management policies. Risks identified by senior management will be analyzed on the basis of likelihood and impact, and will be properly followed up, mitigated and rectified by the Company, and reported to the Board.

Senior management implements the risk management policies, strategies and plans set by the Board. Senior management is responsible for (i) formulating our risk management policy and reviewing major risk management issues of our Company; (ii) providing guidance on our risk management approach to the relevant teams in our Company and supervising the implementation of our risk management policy by the relevant departments; and (iii) reporting to the Audit Committee on our material risks.

Each functional team, including the finance and investment team, monitors and evaluates the implementation of risk management and internal control policies and procedures on a regular basis. The Board will meet in-person quarterly, as necessary. In order to formalize risk management across our Company and set a common level of transparency and risk management performance, the relevant teams will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report bi-annually for our general manager's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

Before each Board meeting, an agenda is prepared with inputs from Directors. At Board meetings, depending on the agenda, different team heads will gather information relating to their functions and report to the Board on the relevant agenda items, as necessary. The Board secretary will attend all Board meetings to ensure that there is no gap in communication between the two bodies. During Board meetings, the Board will, on occasion, further review and/or analyze particular issue and report their findings at the next Board meeting. The Board believe that the corporate structure provides an appropriate system of checks and balances to improve the risk management procedures.

The Audit Committee also reviews and approves our risk management policy to ensure that it is consistent with our corporate objectives, reviews and approves our corporate risk tolerance, monitors the most significant risks associated with our business operation and our management's handling of such risks, reviews the corporate risk in light of the corporate risk tolerance, and monitors and ensures the appropriate application of the risk management framework across the Company.

The Company has adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with strategic objectives on an on-going basis. The Board is responsible for establishing internal control system and the Board, as supported by the Audit Committee as well as the management, annually reviewed the effectiveness of the risk management and internal control systems for the Reporting Period, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Internal Control

The Board is responsible for establishing internal control system and reviewing its effectiveness. To monitor the ongoing implementation of our risk management policies and corporate governance measures, the Company has adopted, among other things, the following risk management and internal control measures:

- the establishment of the Audit Committee responsible for overseeing our financial records, internal control procedures and risk management systems;
- the appointment of Mr. LIU Wei as our chief financial officer and Board secretary and Ms. LEUNG Wai Yan as one of the joint company secretaries of the Company to ensure the compliance of our operation with relevant laws and regulations;
- the appointment of Maxa Capital Limited as our compliance adviser upon Listing to advise us on compliance with the Listing Rules; and
- the engagement of external legal advisers to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

The Company has also adopted internal control measures to ensure our compliance with the relevant regulations in relation to the "Two-Invoice System", including:

- providing trainings periodically to members of our management team as well as our sales and marketing team, to enhance their knowledge about the "Two-Invoice System" and other applicable laws and regulations;
- requiring our management team to closely monitor the progress of the implementation of the "Two-Invoice System" in different provinces;
- requiring our sales and marketing team to promptly adjust the distribution plans for our products based on the latest implementation status of the "Two-Invoice System" in different provinces;
- strictly enforcing the terms of our agreements with our distributors (particularly, prohibiting our distributors from selling our products outside the geographical regions specifically designated to the distributors, and from transferring their distributorship rights to sub-distributors without our prior approval);
- conducting regular inventory checks to ensure the inventories of ourselves and of our distributors are maintained at appropriate levels; and
- frequently communicating with our distributors, the sub-distributors and the end customers using our products, and periodically conducting inspections, to ensure there is no unauthorized resale of our products to other sub-distributors.

In addition, the Company has adopted internal control measures to ensure our compliance with the applicable laws and regulations with respect to the handling of sensitive data involving commercial secrets or personal privacy, and such measures primarily include:

- adopting strict requirements for desensitizing, collecting, using, reproducing, storing, and transferring sensitive data;

- providing trainings periodically to our senior management and employees to enhance their knowledge of the applicable laws and regulations regarding the protection of sensitive data;

- requiring any transfer of sensitive data (including but not limited to those in relation to clinical trial results) abroad or to foreign parties to be submitted to our Board for pre-approval; and

- desensitizing all sensitive data before transferring them to any third parties.

Finally, the Company has adopted various internal regulations against corrupt and fraudulent activities, which include measures against receipts of bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorizing our audit and supervision department to assume responsibility for daily execution of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistle-blower and conducting internal investigations;

- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks; and

- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

Anti-corruption Policy

The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Company adopts the anti-corruption policy in assisting the employees in recognising circumstances which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary.

The anti-corruption policy will be reviewed on a regular basis, any convicted cases will be reported to the Board.

Whistle-blowing Policy

The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Company adopts the whistle-blowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistle-blowers of the protection that the Group will extend to them in the formal system.

The whistle-blowing policy will be reviewed on a regular basis, any suspected cases will be reported to the Audit Committee.

The Directors are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. For the year ended December 31, 2022, the Company was not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery that activities, and to the best knowledge of the Directors, none of our employees was involved in any bribery or kickback arrangements.

The Company has designated responsible personnel to monitor our ongoing compliance with relevant laws and regulations that govern our business operations, and to oversee the implementation of any necessary measures. Meanwhile, we plan to provide our Directors, senior management and relevant employees with continuing training programs and updates regarding the relevant laws and regulations on a regular basis, with a view to proactively identifying any concerns or issues relating to any potential non-compliance. We believe that we have established adequate internal procedures, systems and controls to ensure compliance with anti-corruption and anti-bribery laws.

DISSEMINATION OF INSIDE INFORMATION

The Group regulates the handling and dissemination of inside information according to internal procedures and the policy so as to ensure that inside information remains confidential until the disclosure and publication of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board is responsible for approving the policy on disclosure of inside information which aims at providing guiding principles, practices and procedures to assist employees and officers of the Group in (i) relaying inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (ii) communicating with the Group's stakeholders in ways which are in compliance with the SFO and the Listing Rules.

An employee who becomes aware of a matter or event that he/she considers to be material or inside information shall report to his/her division/department head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report to the Board and/or the company secretaries of the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended December 31, 2022.

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

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 98 to 102 of this annual report.

AUDITOR'S REMUNERATION

Audit fees of the Group for the year ended December 31, 2022 payable to the external auditor were approximately RMB1.8 million.

Details of the fees paid or payable to the Company's auditor in respect of all services for the year ended December 31, 2022 are set out in the table below:

Services rendered for the Company	RMB'000
Audit services	1,800
Non-audit services	–

The fees excluded the service fees paid/payable to Ernst & Young as the reporting accountant of the Company in connection with the IPO.

JOINT COMPANY SECRETARIES AND PRIMARY CONTACT OF THE COMPANY

The Company engaged Ms. LEUNG Wai Yan, a manager of corporate services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as a joint company secretary of the Company. Mr. LIU Wei is another joint company secretary of the Company, and is the primary contact of Ms. LEUNG Wai Yan at the Company.

In compliance with Rule 3.29 of the Listing Rules, Mr. LIU Wei and Ms. LEUNG Wai Yan both undertook not less than 15 hours of relevant professional training to update their skills and knowledge during the Reporting Period.

SHAREHOLDERS' RIGHTS

Rights to Convene Extraordinary General Meeting

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

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

Pursuant to Article 81 of the Articles of Association, Members who, individually or collectively, hold more than 10% of the shares entitled to vote at the meeting to be held may sign a written requisition or requisitions in like form requesting the Board to convene an extraordinary general meeting or a class meeting of members and specifying the subject matter thereof. The Board shall convene an extraordinary general meeting or a class meeting as soon as possible after receipt of such a written request. The number of shares held as aforesaid shall be calculated as at the date of the written requisition by the member.

Procedures for Putting Forward a Proposal at the General Meeting

Pursuant to Article 62 of the Articles of Association, Shareholders individually or jointly holding an aggregate of more than 3% of the Company's Shares with voting rights shall have the right to submit ad hoc proposals to the convener in writing 10 days prior to the general meeting. The convener shall issue a supplemental notice of the general meeting to other Shareholders within 2 days after receipt of such proposal, and place the matters of the proposal falling within the scope of authority of the general meeting on the agenda for such meeting and submit for consideration at the general meeting.

Procedures for a Shareholder of the Company to propose a person for election as a Director and Supervisors

Subject to the Articles of Association and the PRC Company Law, the Directors shall be elected by the general meeting of the Company.

Article 81 of the Articles of Association provides that written notice concerning proposed nomination of director candidate and supervisor candidate who are not staff representatives shall be sent to the Company at least 7 days prior to the date of the general meeting.

Right to Put Enquiries to the Board

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

Address: Building 15, Lane 3399, Kangxin Road, Pudong New Area, Shanghai, PRC
Attention: Mr. LIU Wei
Email: IR@cryofocus.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

The Company adopted the shareholders' communication policy, which set out the framework the Company has put in place to promote effective communication with shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner. The shareholders' communication policy will be reviewed on a regular basis by the Board.

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

Having considered the multiple channels of communication, the Board believes that the Company's shareholders' communication policy has facilitated adequate communications, and is satisfied that the shareholders' communication policy has been properly implemented during 2022 and is effective.

DIVIDEND POLICY

We currently expect to retain all future earnings for use in operation and expansion of our business, and do not have any dividend policy to declare or pay any dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by the general meeting and subject to our Articles of Association and the PRC Company Law, and will depend on a number of factors, including the successful commercialization of our products as well as our earnings, capital requirements, overall financial condition and contractual restrictions. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by our PRC Legal Adviser, any future net profit that we make will have to be applied to make up for our historically accumulated losses in accordance with the PRC laws, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles of Association have been amended and restated with effect from the Listing Date, and are available on the respective websites of the Stock Exchange and the Company.

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

Environmental, Social and Governance Report

ABOUT THE REPORT

This report (the "**Report**") is the first environmental, social and governance report published by Cryofocus Medtech (Shanghai) Co., Ltd. (the "**Company**"), which is prepared in strict accordance with the principles of objectivity, transparency and completeness and faithfully discloses the practices and results of Cryofocus Medtech (Shanghai) Co., Ltd. in the fields of operation, environment and society to all stakeholders. The Report is an annual report covering the work during the Reporting Period, part of contents of which may backdate to previous years or be extended to 2023 as applicable.

Preparation Basis

The Report was prepared in accordance with the Environmental, Social and Governance Reporting Guideline (the "Guideline") as set out in Appendix 27 to the Listing Rules of the Stock Exchange. The Group has responded to and complied with the reporting principles as set out in the Guideline on materiality of issues, quantification of data and consistency of disclosure in the Report. The content of the Report was formulated in accordance with a set of systematic procedures. Such procedures include identifying and ranking key stakeholders, identifying and ranking materiality issues, collecting information and data, preparing report, reviewing the information in the report, etc.

Reporting Scope and Boundary

Range of report: The Report is based in Cryofocus Medtech (Shanghai) Co., Ltd. and covers all of its subsidiaries. Unless otherwise stated, the financial data in the Report are denominated in RMB.

Term of report: from January 1, 2022 to December 31, 2022, and some content and data may backdate to previous years or involve those in 2023 prior to the publication of the Report.

Sources of Information and Assurance of Reliability

The Report was prepared by the management of Cryofocus Medtech (Shanghai) Co., Ltd. and reviewed and approved by the Board of Directors of the Group. The Group ensures that the Report does not contain any false records, misleading statements or material omissions. We undertake to be responsible for the authenticity, accuracy and completeness of the Report.

Abbreviations

For the convenience of presentation and reading, "Cryofocus Medtech (Shanghai) Co., Ltd." and its subsidiaries is referred to as the "Group" or "We" in the Report.

Confirmation and Approval

The Report was confirmed by the management and approved by the Board of Directors on March 30, 2023.

Access to the Report

The electronic version of the Report will be published on the website of the Stock Exchange. If you have any questions or suggestions on the content of the Report, please contact us by following means:

Address: No. 15, Lane 3399, Kangxin Road, Pudong New District, Shanghai
Tel: +86 21 209 77850
E-mail: IR@cryofocus.com

1. CORPORATE GOVERNANCE

The Group continues to standardize the professional behaviors of its management and employees in strict accordance with laws and regulations, industry norms and standards, professional ethics, and internal management policies of the Group. In order to promote the sustainable, stable and healthy development of the Group, we continue to improve the corporate governance and ESG governance system, and work with our partners to protect the legitimate rights and interests of the Group, its Shareholders and other stakeholders.

1.1 Statement from the Board of Directors

The Board of Directors of the Group is the top body in charge of the ESG governance of the Group, which is responsible for fully leading and supervising the ESG-related matters of the Group and assumes responsibility as to the ESG planning and ESG risk management of Cryofocus Medtech. We continue to improve the methods and frequency of communication with stakeholders, determine the priority of material ESG issues through identifying, evaluating and analyzing their materiality to the Group and our stakeholders, and manage ESG issues and risks.

In order to supervise and review the ESG performance of the Group, the Board of Directors reviews the risks and materiality of ESG issues on a regular basis, considers and approves matters such as ESG strategies and objectives, public disclosure of ESG-related performance, and review of material and negative ESG events, with a view to enhance the sustainability of our operations and business development.

1.2 Corporate Governance

The Group strictly abides by laws and regulations including the Company Law of the People's Republic of China, the Anti-unfair Competition Law of the People's Republic of China and the Criminal Law of the People's Republic of China, and has formulated the Anti-fraud Management Policy (《反舞弊管理制度》) and other internal policies to foster an anti-fraud corporate culture, build a sound risk management system and promote the continuous optimization of our corporate governance system.

Business Ethics

The Group pays high attention to the construction of business ethics, and regulates the professional behaviors of all employees, including Directors, Supervisors and middle management, according to high standards and strict requirements. At the same time, we strictly prohibit all acts that use illegal or non-compliant methods to seek for any improper personal interests or cause any damage to the interests of the Group, and are committed to creating a work atmosphere featuring integrity, diligence and dedication as well as an honest and upright business environment. In 2022, the Group and its employees experienced no litigation cases or administrative penalties relating to corruption.

The Group has established a whistle-blowing and complaint mechanism to encourage employees and other stakeholders to report corruption, fraud and other violations to the Group. A smooth whistle-blowing and complaint system was set to support complaints via telephones, emails, letters, interviews and other channels. At the same time, the Group has set up a mechanism to protect whistleblowers, adopts strict confidentiality measures as to the identity of whistleblowers and whistleblowing materials submitted, and prohibits the disclosure of personal information of whistleblowers such as name, phone number and address, so as to ensure their legitimate rights and interests.

In 2022, we organized trainings for new employees from time to time, which aimed to promote business ethics and cover anti-corruption topics for all new employees.

Risk Control

To cope with operational risks, the Group has formulated a systematic and comprehensive risk management policy to improve its risk management framework. The risk management procedures are designed and implemented to continuously identify, assess and monitor risks related to strategic objectives, thus effectively managing risks arising from the operations of the Group.

We have established a top-down risk management structure, under which the Board of Directors serves as the ultimate supervisory body for risk management and is responsible for formulating risk management policies, strategies and plans. The Audit Committee is responsible for reviewing and approving the risk management policies to ensure the consistency with the objectives of the Group, as well as functions and duties such as supervising the implementation of risk management policies, reviewing and approving the risk tolerance, and monitoring the handling of major risks related to our business operations. The senior management of the Group is responsible for the implementation of risk management-related issues, including formulating risk management policies, reviewing risk management issues, and providing risk management strategies to all departments of the Group and supervising their implementation. In addition, the senior management will report major risk issues arising from our operations to the Audit Committee which will identify, follow up, mitigate and correct such risks and report them to the Board of Directors, so as to ensure a comprehensive management of major risk issues.

1.3 ESG Governance

The Group continues to improve its ESG governance system to establish an ESG governance structure, maintains constant communication with stakeholders to respond to their expectations and demands in a timely manner, and implements the ESG responsibilities and construction to promote the sustainable development of the Group. We actively undertake our social responsibilities in line with the values of "focus, precision, integration and innovation", specialize in development of cryoablation technology with commitment to research and development of innovative life science technology, and work with all stakeholders to build a world-leading platform for minimally-invasive cryotherapy for the benefits of the society.

ESG Structure

In order to strengthen the construction of our ESG governance system, the Group has established a top-down ESG governance structure, under which the Board of Directors is fully responsible for our ESG governance and risks, and considers and decides on all issues relating our ESG governance. The Group has established an ESG Working Group, which is responsible for coordinating and implementing all ESG issues, and reports to the Board of Directors. It is also responsible for ensuring the supervision of the Board of Directors over the completion and progress of ESG-related work as well as the timely and effective implementation of relevant work.

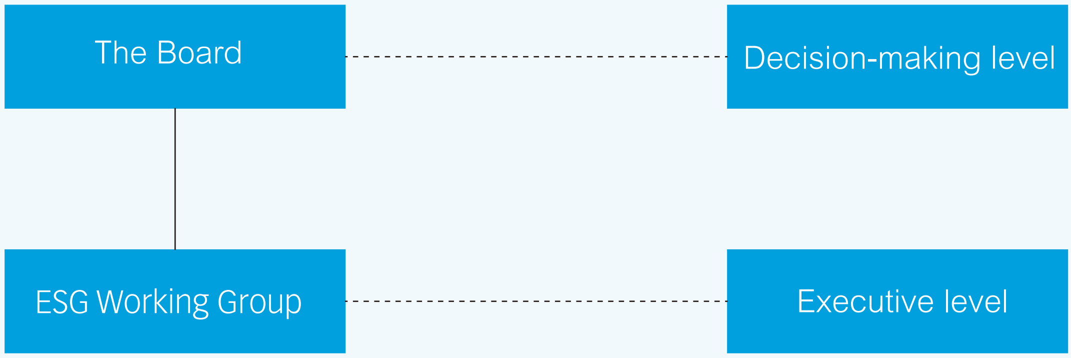


Figure: The Group's ESG Governance Structure

COMMUNICATION WITH STAKEHOLDERS

Based on the business scope and operations of the Group, we have identified stakeholders closely related to our development, including Shareholders, investors, governments, regulators, and employees. Meanwhile, we expanded our communication channels through Shareholders' general meetings, investor meetings, submission of information, inspection visits and other various methods, established a long-term and effective mechanism for communication with stakeholders, and made active and practical efforts to respond to the expectations and demands of stakeholders, so as to achieve mutual benefits and win-win results.

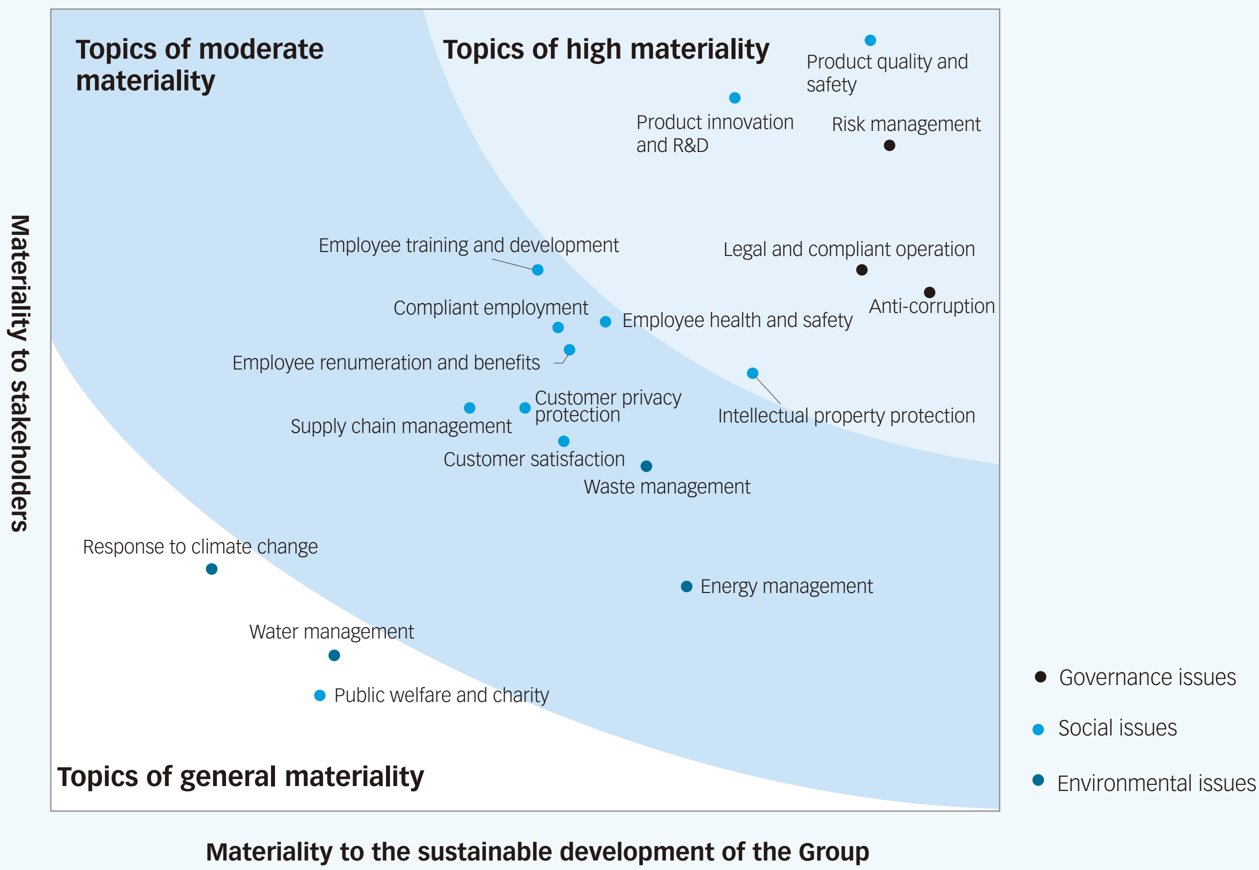
The following sets out the expectations and demands of stakeholders as well as our communications and responses in 2022:

Stakeholders	Expectations and Demands	Communication and Response
Shareholders/Investors	Compliant operation Risk management Transparent operation	Shareholders' general meeting Investor meeting Information disclosure Communication via telephone and email
Government and regulatory authorities	Compliance with disciplines and laws Paying taxes according to law Supporting national strategies	Implementation of policies Active tax payment Information disclosure
Employees	Employee renumeration and benefits Employee training and development Occupational health and safety	Internal communication platform Visits and consolation Public hotline
Suppliers	Win-win cooperation Responsible marketing Management of sensitive customer information	Bidding meeting Inspection visits Industry forum
Partners	Faithful performance of contracts Win-win cooperation	On-site visits and meetings Telephone/WeChat/Questionnaire
Community and the Public	Charity Community building Green development	Voluntary service Charity activities

MATERIALITY ISSUES

We have identified and summarized 18 major ESG issues in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange and based on our current business development and industry benchmarks. We rank the prioritization of ESG issues from the importance both to our sustainable development and to our stakeholders and on the basis of promoting our sustainable and long-term development. During the Reporting Period, we identified six issues of high materiality, nine issues of moderate materiality, and three issues of general materiality. This report will make active responses to identified materiality issues and disclose details of relevant content.

Matrix of Materiality ESG Issues of the Group in 2022



2. HIGH-QUALITY PRODUCTS

2.1 Product Responsibility

The Group adheres to the values of "focus, precision, integration and innovation", and regards the quality management as the top priority of our development. We continue to optimize the construction of quality system to ensure product quality, and are committed to building a world-leading platform for minimally-invasive cryotherapy.

Quality Management System

We strictly follow laws and regulations including the Regulation on the Supervision and Administration of Medical Devices and the Norms on the Quality Management of Medical Devices, and have established quality control procedures covering the life cycle of products based on our development plan, product risks and characteristics, and resource conditions, which standardize the monitoring and management of our product and service quality.

Quality management is fully performed within the Group. The head in charge of quality system is the general manager of the Company. The quality, production, market medicine, and research and development departments, etc perform their respective duties and work together to ensure the effective operation of quality management system.

During the Reporting Period, the Group carried out a total of five whole-process internal audits of the quality system, according to which the overall quality management system remained a sound operation, and non-conformities identified and relevant suggestions were included in a rectification report for improvement. Our quality management system has passed the on-site assessment of medical products administration departments for the registration stage.

Quality Management Actions

Quality Control

We have set quality control points at each stage of product realization such as research and development, raw materials, production and finished products, and formulated strict rules on sampling methods, test methods and inspection standards in documents as to quality standards, inspection procedures and operating procedures for inspection devices.

Life-cycle Product Quality Control

Stage	Measures
Research and Development	• Conducting sufficient risk assessment for product candidates • Formulating quality standards for raw materials of each production line
Raw Materials	• Requiring and supervising suppliers to supply raw materials according to quality standards • Carrying out inspections on incoming raw materials to strictly control their quality
Production	• Producing products in strict accordance with production procedures • The process inspection is adopted to control the quality of the work in progress, and only qualified products can be passed on to the next production process
Finished Products	• The inspection and control processes are used to control the quality of finished products, and only qualified finished products can be put into storage • Formulating the Control Procedures for Unqualified Products (《不合格品控制程序》), according to which unqualified products/batches identified in the quality inspection will be labeled, separated, collected, and scrapped

In 2022, we organized and implemented annual verification and reverification to verify and confirm key product processes, special processes, clean environment, and water and gas used in processes, so as to further improve our quality management.

Product Recall

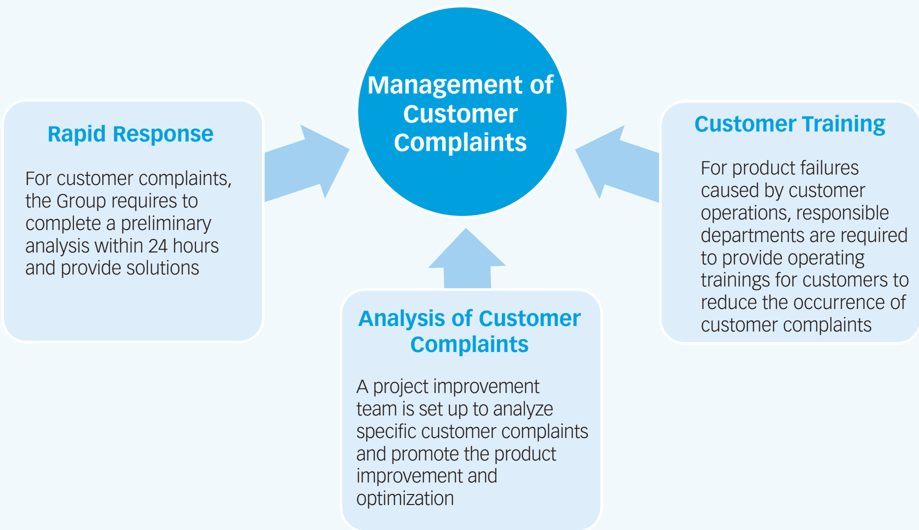
We formulated the Product Recall Management System (《產品召回管理制度》) according to the requirements of the Measures for the Administration of Medical Device Recalls, which sets out the recall procedures based on the severity of medical device defects.

Triggering product recall	• The recall is ordered by national regulators • We carry out an investigation and assessment on potential safety risks of products in response to customer complaints, adverse events and other feedback on product quality, and initiate recall procedures if necessary
Implementing product recall	• We will set up a product recall working group consisting of heads of quality, production, market medicine and other departments, and define their respective responsibilities • We make decisions, implement and report on the scope, notice, announcement, and implementation plan of recall
Handling recalled products	• We will take remedial measures, harmless treatment, destruction and other measures for recalled products to ensure that such products are no longer in circulation or used for reproduction • We will analyze and summarize the causes for product recall, and formulate corrective and preventive measures

During the Reporting Period, there was no safety and health related product recall by the Group.

Management of Customer Complaints

The Group attaches great importance to product safety and service quality, and has formed management systems such as the Control Procedures for Customer Feedback and After-sales Supervision (《顧客反饋和售後監督控制程序》), the Control Procedures for Adverse Events (《不良事件控制程序》) and the Control Procedures for Pharmacovigilance Systems (《警戒系統控制程序》). We continue to improve the customer feedback mechanism covering the collection, supervision and management of customer suggestions complaints and adverse events, and endeavor to improve our products to meet the needs of customers.



During the Reporting Period, the Group did not receive any material complaints.

Building Quality Culture

We are committed to creating a "quality first" culture and endeavor to enhance the quality awareness of all employees through regular trainings for all employees, orientation trainings for new employees, quality months and other activities.

During the Reporting Period, we carried out a variety of trainings on laws and regulations relating to medical devices, quality management system, document control procedures, product inspection, and unqualified product control.

2.2 Intellectual Property Protection

In line with the corporate mission to "specialize in development of cryoablation technology with commitment to research and development of innovative life science technology in China", we continue to improve our research and development capabilities and intellectual property management capabilities, and pioneer the innovation of global cryotherapy solutions, thereby providing better treatment options for more patients.

We pay high attention to the protection of intellectual property rights, and strictly comply with the Patent Law of the People's Republic of China, the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China, the Anti-unfair Competition Law of the People's Republic of China and other laws and regulations. While observing the intellectual property rights of others, we also take serious measures to crack down on any infringement.

In order to standardize the intellectual property management of the Group, we have formulated the Intellectual Property Management Manual (《知識產權管理手冊》) as well as control documents covering the entire process of intellectual property rights in terms of records, risk management, confidentiality management, corrective and preventive measures, and dispute resolution. Cryofocus Medtech (Shanghai) Co., Ltd. has passed the certification of GB/T29490-2013 Intellectual Property Management System and became a patent pilot company in Shanghai in 2022.


知识产权管理体系认证证书
证书号码：165IP210256R0S
兹证明
康泮生物科技（上海）股份有限公司
注册地址：上海市浦东新区康新公路3399弄15号
经营地址：上海市浦东新区康新公路3399弄15号
上海市浦东新区康新公路3399弄25号3层
知识产权管理体系符合标准：
GB/T29490-2013
通过认证的范围如下：
冷冻消融系统的研发的知识产权管理
初次发证日期：2021年03月31日
有效期至：2024年03月30日
签发：
中知（北京）认证有限公司
地址：北京市海淀区花园路5号133幢3层302室（100088）
http://www.zzbjrz.com

The Group has successfully developed over ten pioneering cryoablation products in China and the world. As at the end of the Reporting Period, the Group has obtained 120 patents and 21 trademarks, including nine new patents and 12 new trademarks in 2022.

At the same time, we continue to deepen the construction of intellectual property culture, and carried out a total of seven intellectual property trainings and publicity activities in 2022, with average training of 4.5 hours for each employee.

Case: "World Intellectual Property Day" Activity on April 26

The Group organized the "World Intellectual Property Day" activity for all employees on April 26. We held a variety of publicity activities including trainings on basic knowledge of intellectual property rights, special lectures by external experts, and prize-winning knowledge contests.

2.3 Supply Chain Management

The Group is well aware that a high-quality and stable supply chain is critical to the quality and safety of products. We regard suppliers as important partners, and are committed to working with them to build a responsible supply chain. We strictly follow the Norms on the Quality Management of Medical Devices and the Guidelines for Supplier Audit of Medical Device Manufacturer issued and revised by the China Food and Drug Administration, and has formulated internal management systems such as the Procurement Control Procedures (《採購控制程序》) to establish a sound supplier management system. As of the end of the Reporting Period, the Group had a total of 312 suppliers, the details of which are as follows:

China	302 suppliers
Overseas	10 suppliers

Supplier Access

In an effort to build a fair and transparent supply chain, we have established a standardized and strict supplier access and review system which ensures the overall quality of products and services from suppliers through audits covering multiple dimensions and types.

Sourcing and Evaluation of Suppliers

- We source high-quality suppliers according to the technical requirements of product procurement
- We establish a bidding team consisting of procurement, quality, production and R&D departments, who will conduct supplier investigations and complete the Supplier Evaluation Form through qualification reviews and on-site visits

Determination of Qualified Suppliers

- Based on the results of the Supplier Evaluation Form (《供應商評價表》), qualified suppliers will be included in the Qualified Supplier List

Classified Supplier Management

- We conduct classified supplier management based on the impacts and risks of purchased materials on final products

  Category A: Materials and services that have a direct impact on the core performance of products

  Category B: Materials that have no direct impact on the core performance of products

  Category C: Materials that have no impact on the core performance of products

Supplier Evaluation

In order to ensure the stable supply of important materials and constantly optimize the echelon of the supply chain, we formulate an annual supplier evaluation plan which covers multi-dimensional evaluations and assessments including product quality, product price, delivery capacity and service quality. Suppliers are rated based on the results of such evaluation, and suppliers with lower scores are required to take improvement measures or are delisted according to their conditions. During the Reporting Period, we conducted evaluations and audits on 308 suppliers, covering all suppliers in China.

Standards of Graded Supplier Management	
Class I Supplier	Those suppliers are trustworthy in the quality and price of products and the delivery capacity, and will be given prioritized consideration and support in terms of supply share and new product development in the next year.
Class II Supplier	Those suppliers have acceptable product quality and delivery capacity, and we will help them formulate improvement plans, and conduct continuous supervision on subsequent supplies.
Class III Supplier	Those suppliers are seriously insufficient in product quality and delivery capacity, and will be removed and delisted from the Qualified Supplier List.

Empowering Suppliers

The Group highly values the growth of suppliers, and is committed to establishing a healthy and friendly cooperation with suppliers. In order to constantly empower suppliers, we communicate with suppliers through various channels such as video conferences, telephone calls and emails, and provide technical presentations and assistance for new suppliers and those who are required to take improvement measures.

Meanwhile, we encourage suppliers to use reusable or recycled materials in all aspects of packaging, transportation, and printing. We also conduct site visits from time to time to ensure that suppliers implement green initiatives. Incentive measures, such as prioritized consideration and tilting orders, are adopted for suppliers with outstanding performance in green development and environmental protection.

Risk Control of Supply Chain

We attach great significance to the integrity management of the supply chain, and endeavor to eliminate corruption risks from the source relying on our sound supplier management system and cross-department collaboration and management mechanism.

Our supply chain, quality, production, R&D and other responsible departments have designated professional employees to monitor, identify and analyze the impact of environmental and social risks on the supply chain, including climate change, product quality issues, and policy and standard updates. A safe inventory and supplier candidate mechanism is adopted to reduce risks in the supply chain. For key materials with strong dependence and long delivery time, we will seek for other alternative materials while increasing the purchase volume, and develop a number of high-quality suppliers to ensure undisrupted production and stable supply chain.

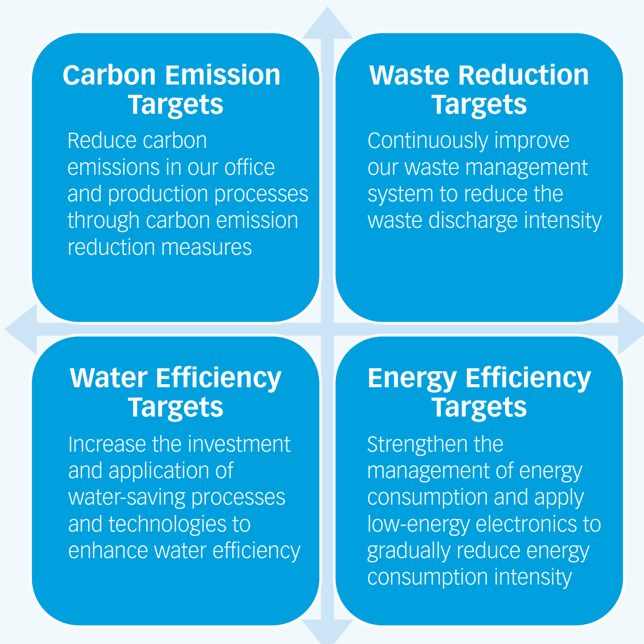
3. GREEN OPERATION

The Group always adheres to the concept of green development and environmental protection. While ensuring environmental protection and compliance, we continue to develop environmental protection technologies, reinforce energy conservation and emission reduction, use clean energies and promote low-carbon transformation, so as to build a resource-saving and environment-friendly corporation.

3.1 Environmental Management

The Group strictly abides by national environmental laws and regulations, including the Environmental Protection Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes. Meanwhile, we take active measures to promote the construction of our environmental management mechanism and system to build an operation model for sustainable development.

According to the disclosure guidelines on environmental KPIs set out in the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange and with reference to a variety of management practices in China and the world, we have formulated four long-term environmental management targets to guide our environmental management in four aspects, namely carbon emissions, waste discharges, energy use and water efficiency.



3.2 Energy management

The Group upholds the concept of energy conservation and consumption reduction, and incorporates it into our daily production and office processes, with a view to building a green and low-carbon company. The energy consumption in our production and office processes mainly consists of the electricity supplied via the municipal power grid and the gasoline consumed by vehicles of the Group. The electricity consumption was 1,780.7 MWh and the gasoline consumption was 6,037 liters in 2022. The following table sets out the details of our energy Consumption and Intensity:

Energy Consumption and Intensity of the Group in 2022		
Name of Indicators	**Total/Intensity**	**Unit**
Gasoline	6,037.00	Liter
Electricity	1,780.7	MWh
Total direct energy consumption[1]	0.001	10,000 tons of standard coal
Intensity of total direct energy consumption	0.0002	Ton of standard coal/thousand of revenue
Total indirect energy consumption	0.016	10,000 tons of standard coal
Intensity of total indirect energy consumption	0.0059	Ton of standard coal/thousand of revenue
Comprehensive energy consumption	0.017	10,000 tons of standard coal
Intensity of comprehensive energy consumption	0.0061	Ton of standard coal/thousand of revenue

We adopted a number of measures to reduce power consumption. For example, we reduce the power of fans or turn off them during non-production periods to avoid wasting electricity. In the office process, we encourage employees to use natural light, set a standby time for office appliances, and strictly control the temperature of indoor air conditioners, so as to enhance the efficiency of power consumption. Meanwhile, we actively carry out trainings and publicity activities for our employees to enhance their awareness of energy conservation and reduce the bottom-up energy consumption in production and office processes. The following table sets out the details of our greenhouse gas emissions and intensity in 2022:

Greenhouse Gas Emissions and Intensity of the Group in 2022		
Name of Indicators	**Total/Intensity**	**Unit**
Scope I greenhouse gas emissions[2]	13.32	Ton of carbon dioxide equivalent
Scope II greenhouse gas emissions[3]	1,015.54	Ton of carbon dioxide equivalent
Total greenhouse gas emissions	1,029.20	Ton of carbon dioxide equivalent
Greenhouse gas emission intensity	0.04	Ton of carbon dioxide equivalent/ thousand of revenue

1 Energy consumption is calculated using the General Principles for Calculation of Comprehensive Energy Consumption GB2589-2020 (《綜合能耗計算通則》(GB2589-2020)).

2 Scope I was calculated based on the low gasoline calorific value of 44.8GJ/t set out in the Study on China's Greenhouse Gas Inventory in 2005 (《2005年中國溫室氣體清單研究》), the carbon content per unit gasoline calorific value of 0.0189tC/GJ set out in the 2006 IPCC National Greenhouse Gas Inventory Guidelines (《2006年IPCC國家溫室氣體清單指南》) and the Provincial Greenhouse Gas Inventory Preparation Guidelines (Trial) (《省級溫室氣體清單編製指南(試行)》), and the gasoline carbon oxidation rate of 98% set out in the Provincial Greenhouse Gas Inventory Preparation Guidelines (Trial).

3 Scope II was calculated based on 0.5703t CO_2/MWh, the average carbon dioxide emission factor of China's regional power grid in 2022 set out in the Notice on Effectively Managing the Report of Greenhouse Gas Emissions of Power Generation Enterprises from 2023 to 2025 (《關於做好2023–2025年發電行業企業溫室氣體排放報告管理有關工作的通知》) by the Ministry of Ecology and Environment.

3.3 Use of Resources

The Group utilizes water resources in a comprehensive manner in line with the principle of water conservation. The water consumption in our production and office processes mainly consists of municipal water, with annual water consumption of 4,970 m^3 and water consumption intensity of 0.18 m^3/thousand of revenue in 2022. In the production process, we reasonably control the water consumption according to our production plan, with 5% decrease in water consumption in 2022. In the office spaces, we use water-saving appliances to enhance the utilization rate of water resources.

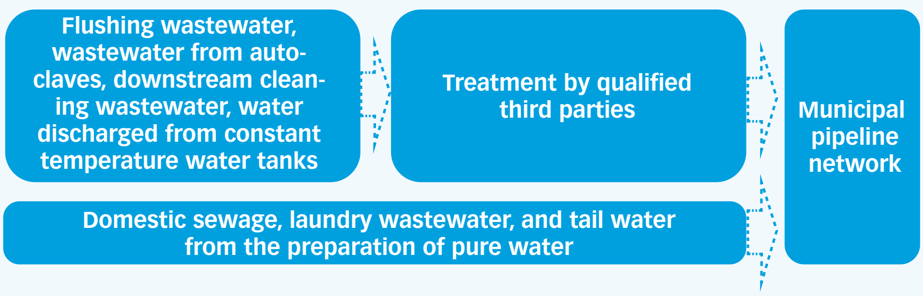
In terms of the use of resources, we also pay attention to environment-friendly packaging materials. Our packaging materials mainly include plastic and paper. In 2022, the consumption of plastic packaging materials was 0.36 tons and that of paper packaging materials was 7.07 tons, with the use intensity of packaging materials of 0.00027 ton/thousand of revenue. In order to reduce the waste of packaging materials, we actively promoted the recycling of packaging materials and the lightweight packaging, reused sterilized transit boxes, and designed the packaging solution according to the size of products.

3.4 Emissions Management

The Group is committed to strengthening the management of compliant emissions.

Wastewater Management

Our wastewater mainly includes flushing wastewater, wastewater from autoclaves, downstream cleaning wastewater, water discharged from constant temperature water tanks, domestic sewage, laundry wastewater, and tail water from the preparation of pure water. Different treatment methods are adopted based on the types of waste water to reduce the impact of our wastewater on the environment.



The Group also engaged third parties to monitor the amount of wastewater and discharges into water and to ensure compliant discharge through real-time monitoring. The following table sets out the details of wastewater discharges during the Reporting Period.

Wastewater Indicators of the Group in 2022		
Name of Indicators	**Total**	**Unit**
Domestic sewage produced	2,699.80	Ton
Industrial wastewater produced	927.92	Ton

Waste Gas Management

The Group pays attention to the impact of its production and office activities on the air, and is committed to reducing the emissions of waste gas. We reduced the emission intensity of waste gas in the production process by optimizing our processes, and carried out activated carbon adsorption and filtration treatment for all waste gas generated. In addition, we engaged qualified third parties to conduct annual tests on the emissions and indicators of waste gas to inform us of waste gas emissions in a timely manner.

During the Reporting Period, the waste gas emissions of the Group were all in compliance with the Comprehensive Emission Standards for Air Pollutants (《大氣污染物綜合排放標準》). The waste gas discharged by the Group consists of non-methane hydrocarbon and ethylene oxide in 2022, with a total emission of 6.52 kg.

Solid Waste Management

The solid waste generated by the Group consists of general waste and hazardous waste. The general waste includes waste packaging materials, metal shavings, defective products etc., and the hazardous waste includes contaminated waste, laboratory waste spent activated carbon etc.. We adopted different treatment methods based on types of solid wastes.

General Waste	• It is stored in the temporary storage area for general solid waste and is collected by engaged third parties on a regular basis
Hazardous Waste	• We implement the Management Measures for Hazardous Wastes (《危險廢物管理規定》) to ensure the special management, centralized treatment and whole-process control, thereby reducing the impact on the environment

In addition, we provide a three-level safety training (namely factory level, department level, and team level) for new employees, including safe production, instructions on process operation, and labor protection. The three-level safety training is conducted on a quarterly basis while the department-level and team-level trainings are also organized from time to time according to actual needs. The following table sets out the details of our solid waste data in 2022.

Solid Waste Indicators of the Group in 2022

Name of Indicators	Total/Intensity	Unit
Total hazardous waste	10.76	Ton
Hazardous waste intensity	0.0004	Ton/thousand of revenue
Total non-hazardous waste	24.75	Ton
Non-hazardous waste intensity	0.0009	Ton/thousand of revenue

3.5 Response to Climate Change

The climate change-related issues have attracted in-depth attention in the world. The Group has also incorporated the climate change response into its green management, and carried out a preliminary identification of climate change risks. In the future, we will continue to update our risk identification results, assess risks and match them with our response strategies, thus enhancing our capability to cope with the risks of climate change.

During the Reporting Period, we mainly identified and updated acute physical risks, and took certain measures to cope with hurricanes, floods, extreme heat and cold and other extreme weathers, including conducting safety inspections on equipment and facilities and providing shutdown leave for employees, so as to mitigate the impact of extreme weather on the health and safety of our employees and our production and operation.

4. LABOR MANAGEMENT

The Group attaches great importance to the legitimate rights and interests of employees, and endeavors to improve its human resource management system and promote the career development of employees through compliant employment, employee trainings, employee care and occupational health and safety management.

4.1 Compliant Employment

The Group strictly complies with laws and regulations such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and the Trade Union Law of the People's Republic of China, and has formulated the human resources development strategy to plan its talent building.

Recruitment and Employment

The Group adheres to the principle of open and equal recruitment, and is committed to establishing and improving its recruitment policies and systems to build a fair and positive development platform for employees. We recruit talents through recruitment websites, internal recommendations and other channels according to our recruitment procedures and based on the labor needs for our long-term development.

The Group requires that the recruitment shall prioritize the work experience, skills and education background of candidates with no limitation on gender, region, ethnicity and other characteristics. At the same time, the Group prohibits all discrimination based on age, religion and cultural background as well as the employment of child and forced labor, and ensures a legal recruitment and employment with equal opportunities and diversity.

In order to protect the rights and interests of both the Group and employees, the Human Resources Department of the Group has established strict recruitment procedures to ensure that the employees hired are above 18 years old and eliminate the possibility of child labor from the source. Labor contracts are signed immediately following employees' admission into the Group. At the same time, we oppose and reject any form of forced labor and do not encourage any non-essential overtime work. If any overtime work is necessary, we will pay overtime wages according to the law or take working days off at the willingness of employees, showcasing our employee-orientated and flexible management model. The Group had a total of 375 full-time employees as of the end of the Reporting Period, the details of which are as follows:

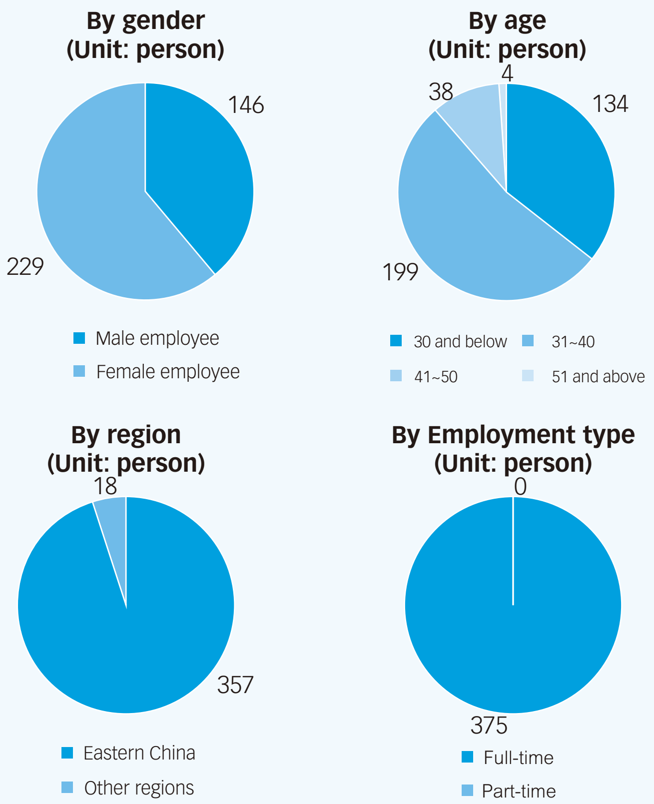


Figure: The Number of Employees of the Group by Type in 2022

The employee turnover rate of the Group in 2022 was 12.53%, the details of which are as follows:

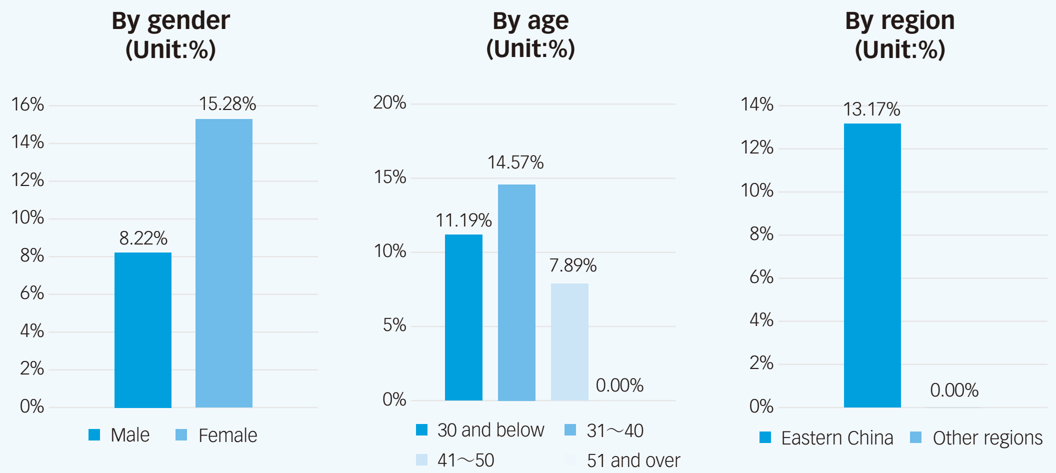


Figure: The Employee Turnover Rate of the Group by Type in 2022

Renumeration and Benefits

The Group has formulated the Employee Handbook to protect the basic rights and interests of employees according to the law in terms of remuneration and benefits. At the same time, we formulate our renumeration policies based on remunerations on the market, and establish and implement an active renumeration management system.

In 2022, we continued to improve our renumeration management, formulated a performance-based management system, and established and implemented meal subsidies, holiday benefits, and renumeration adjustments and other benefits measures, including improving the renumeration structure, establishing the Employee Stock Ownership Plan and providing allowances and benefits.

4.2 Employee Development

Through establishing employee development strategies, planning talent construction, and improving performance-based assessment system, the Group has built a development platform for employees and conducted diversified and targeted trainings to encourage employees to constantly improve their individual professional skills and enhance the values of themselves and the Group.

Employee Training

The Group prioritizes to the long-term development of employees, constantly improves the construction of employee training system, and organizes production, quality and other departments to provide various trainings covering safety production and quality management systems, so as to enhance the professional skills and comprehensive capabilities of employees in an all-round and multi-dimensional manner and help employees achieve their personal values.

The Group arranges the Human Resources Department to formulate internal and external training plans, conduct trainings for new employees and on job and general skills, continuously improve the training procedures and manage training files. At the same time, we highly value talent trainings, and have laid a solid foundation for the development of management personnel within the Group by virtue of the talent backup system, talent echelon and special trainings. In 2022, we organized a total of three large-scale trainings on 15 topics, with a total of 351 participants, the total training hours of 2,174 hours and the coverage rate of 93.60%. Details are as follows:

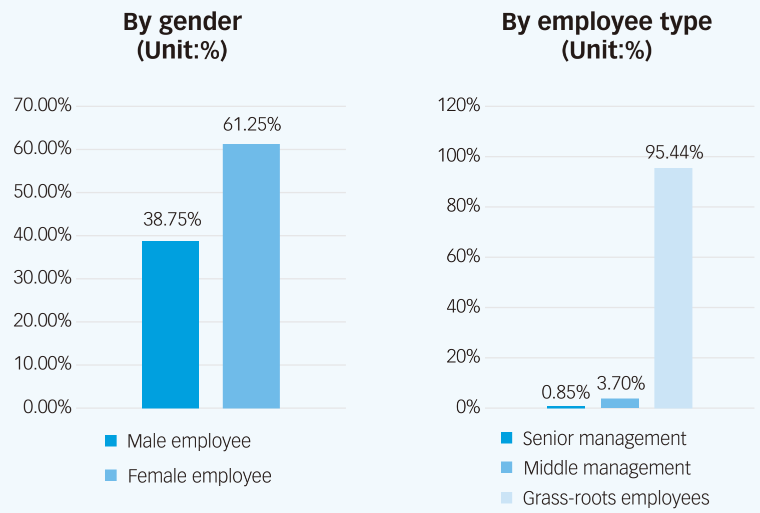


Figure: The Proportion of Trained Employees of the Group by Type in 2022

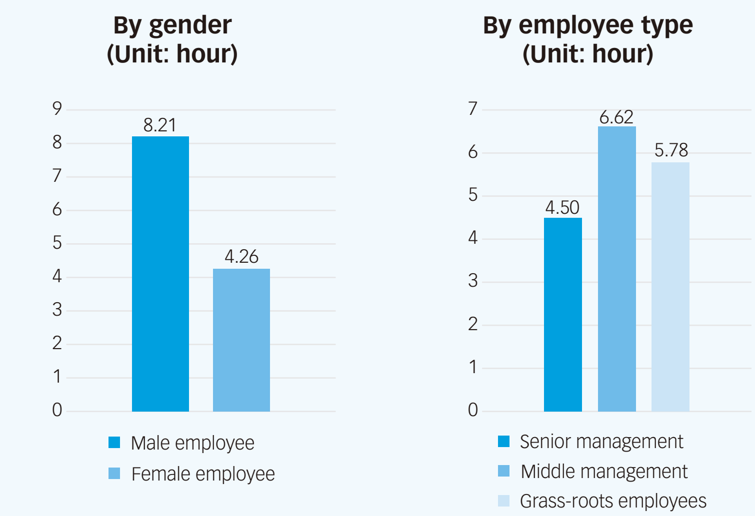


Figure: Average Training Hours of Employees of the Group by Type in 2022

Employee Development

In order to help employees improve their performance, while providing education and trainings for employees, the Group has formulated a performance-based management system, and guided and implemented performance-based management policies. The performance assessment was implemented from several aspects such as employee rewards, punishments, promotions, demotions, job transfers and trainings, and a performance evaluation system was established to tap the potential of employees. In 2022, the Group had one employee transferred and five employees promoted. We combined the employee self-assessment with the supervisor evaluation in the probation assessment for new employees, renewal assessment, monthly assessment and annual assessment, so as to analyze the vulnerabilities in employee performance, identify key factors affecting their performance, promote the performance-based reform and improve the annual selection and ranking. To invigorate the subjective initiative and personal potential of employees, we conducted assessments and set key performance indicators (KPI) in terms of their responsibility, quality, efficiency, skills, teamwork and personal development at work.

4.3 Employee Care

The Group follows the people-oriented management policy, pays close attention to the senses of belonging and happiness in their work, and emphasizes the balance between life and work. We also provide employees with diversified activities and humanistic care, and build smooth communication channels to listen to the voice of employees and meet their needs to the greatest extent.

Employee Care

The Group endeavors to implement employee care measures, and takes care of and benefits employees by providing diversified employee benefits and consolations. In 2022, we paid consolation visits to a total of seven employees in difficulties to provide daily necessities, masks and other daily supplies and a total of five employees who were hospitalized due to childbirth, illness or accidents.

Case: "Goddess Festival" Activity

On March 8, 2022, the Group made full use of its resources to design a special activity for female employees themed on "Goddess Festival", showcasing our efforts to care for female employees and diversify their cultural life. While creating a warm festive atmosphere, we also distributed gifts to female employees and provided a half-day holiday in a sound environment that respects and protects the rights and interests of female employees.

Figure: Special Benefits on "Goddess Festival"

Communication with Employees

Democratic Feedback

The Group is committed to promoting a democratic management and creating a communication model of equal communications, which encourages employees put forward reasonable suggestions on the development and management of all departments and the Group. A work mailbox was set up to ensure the rights of employees to express their personal opinions.

Employee Whistleblowing

In order to resolutely protects the rights of employees from infringement, the Group has established a sound complaint and reporting mechanism to support employees to report any unfair treatments including malicious falsehood, slanders, insults, sexual harassment, and unfair assessment or work assignment. The Human Resources Department of the Group is responsible for receiving, submitting, and transferring the complaints of employees and implementing relevant solutions. In addition, the Group requires that the whistleblower and reporting information shall be kept strictly confidential and that the information on whistleblower shall not be disclosed in any form or through any channel without the permission of such whistleblower.

4.4 Occupational Health and Safety

The Group attaches great importance to the legitimate rights and interests of employees, constantly improve its human resource management system, and protects the occupational health and safety of employees through various measures.

Safe Production

The Group pays high attention to the safe production management. The Group strictly follows the Work Safety Law of the People's Republic of China, the Fire Protection Law of the People's Republic of China and other laws and regulations, enhances the awareness of safe production, and ensures the orderly management of safe production. In 2022, the Group achieved the goal of no major safety accidents.

The Group continues to enhance its capability to prevent safety accidents, and conduct safety inspections to eliminate potential safety risks. The Group has formulated emergency plans for safety accidents with full consideration of its actual conditions, and prepared emergency measures based on the degree of impact caused by safety accidents.

According to the emergency procedures for major safety accidents, the Group requires immediate rescues to reduce casualties and property losses, prevent further deterioration of accidents, and report them in a timely manner in case of any accidents. In addition, the Group conducts employee safety education from time to time and standardizes the requirements for safe production and operation, with a view to enhancing safety awareness and emergency response capabilities of employees.

Living Security

The Group is committed to creating a healthy and safe working and living environment for employees, and has formulated a number of safety management systems with defined office safety responsibilities. For major safety accidents caused by human factors including indoor theft and fire accidents, the Group has established relevant procedures to investigate the reasons and clarify responsibilities, and serious cases will be submitted to the public security authorities for handling, so as to fully ensure the safety of the employees in the office environment. The Group has not experienced any work-related fatalities in the past three years, and the lost days due to work injury was zero during the Reporting Period.

5. COMMUNITY CONTRIBUTIONS

When we drink water, we should not forget its source. The Group keeps in mind the responsibility of a corporate citizenship, and capitalizes on its own characteristics and industry advantages to actively support the social public welfare undertakings and promote the concept of environmental protection, with a view to giving back to the society with practical actions and contributing to the sustainable development of the society.

5.1 Health Popularization

In 2022, the Group coordinated its internal and external resources to provide health lectures and publicity activities to the public, proactively promoted the cultivation of the health culture, and shared its own resources with the society to help improve people's livelihood and build a harmonious society.

Case: Health Education for Patients and Operators

The Group values the health education for different groups of people. In order to enhance the disease awareness of relevant groups of people and create a safe medical environment for patients, we placed product exhibits in cooperative hospitals to publicize our therapies and products.

Case: "Our Actions for Healthy China" Training Activity

In November 2022, the Group organized a series of training activities such as "Our Actions for Healthy China", and worked with external health consulting centers to publicize first aid knowledge for employees and introduce major disease cases and preventive measures, so as to help employees learn health and first aid knowledge and enhance their health literacy.

Figure: "Our Actions for Healthy China" Theme Lecture

HKEX GUIDE

ESG Areas, General Disclosures and Key Performance Indicators (KPIs)			Index
A. Environmental			
A1: Emissions	General Disclosure	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	3.1 Environmental Management 3.4 Emissions Management
	A1.1	The types of emissions and respective emissions data.	3.4 Emissions Management
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	3.2 Energy management
	A1.3	Total hazardous waste produced and intensity.	3.4 Emissions Management
	A1.4	Total non-hazardous waste produced and intensity.	3.4 Emissions Management
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	3.1 Environmental Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	3.4 Emissions Management
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	3.1 Environmental Management
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	3.2 Energy management
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.3 Use of Resources
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	3.1 Environmental Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	3.1 Environmental Management
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	3.3 Use of Resources

ESG Areas, General Disclosures and Key Performance Indicators (KPIs)			Index
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	3.1 Environmental Management 3.2 Energy management 3.3 Use of Resources 3.4 Emissions Management
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	3.5 Mitigation of Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	3.5 Response to Climate Change
B. Social			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.1 Compliant Employment
	B1.1	Total workforce by gender, employment type (for example, full – or part – time), age group and geographical region.	4.1 Compliant Employment
	B1.2	Employee turnover rate by gender, age group and geographical region.	4.1 Compliant Employment
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.4 Occupational Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.4 Occupational Health and Safety
	B2.2	Lost days due to work injury.	4.4 Occupational Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.4 Occupational Health and Safety

ESG Areas, General Disclosures and Key Performance Indicators (KPIs)			Index
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	4.2 Employee Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.2 Employee Development
	B3.2	The average training hours completed per employee by gender and employee category.	4.2 Employee Development
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1 Compliant Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Compliant Employment
	B4.2	Description of steps taken to eliminate such violations when discovered.	4.1 Compliant Employment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	2.3 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	2.3 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	2.3 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2.3 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	2.3 Supply Chain Management

ESG Areas, General Disclosures and Key Performance Indicators (KPIs)			Index
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.1 Product Responsibility
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.1 Product Responsibility
	B6.2	Number of products and service related complaints received and how they are dealt with.	2.1 Product Responsibility
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.2 Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	2.1 Product Responsibility
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	It is not applicable because our business does not involve any end consumer.
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.2 Corporate Governance
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	1.2 Corporate Governance
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.2 Corporate Governance
	B7.3	Description of anti-corruption training provided to directors and staff.	1.2 Corporate Governance
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.1 Health Popularization
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5.1 Health Popularization
	B8.2	Resources contributed (e.g. money or time) to the focus area.	5.1 Health Popularization

Report of the Directors

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2022.

BOARD OF DIRECTORS

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

The Directors during the year ended December 31, 2022 and up to the date of this annual report were:

Executive Directors

Mr. LI Kejian *(Chairman of the Board)*
Mr. ZHU Jun *(General manager)*

Non-executive Directors

Mr. LV Shiwen
Mr. SUN Xiaolu *(resigned on March 16, 2023)*
Mr. ZHAO Chunsheng

Independent Non-executive Directors

Dr. GAO Dayong
Mr. LIANG Hsien Tse Joseph
Dr. QIN Zheng
Dr. HU Henan

GENERAL INFORMATION

The Company was incorporated in the People's Republic of China ("**PRC**") on March 15, 2013 as a limited liability company. On July 21, 2021, the Company was converted into a joint stock company with limited liability under the PRC Company Law. The Company's H Shares were listed on the Main Board of the Stock Exchange on December 30, 2022.

PRINCIPAL ACTIVITIES

We are an innovative medical device company in China with a main focus on the field of minimally-invasive interventional cryotherapy. We use liquid nitrogen as the main cryogenic source for cryotherapy systems by leveraging our unique liquid nitrogen cryoablation technology and advanced flexible catheter technology. Since our inception in 2013, we have developed a comprehensive product portfolio mainly focusing on two therapeutic areas: (i) natural orifice transluminal endoscopic surgery, or NOTES, for the treatment of urinary, respiratory, and digestive diseases (e.g., bladder cancer, chronic obstructive pulmonary disease, asthma, airway stenosis, gastric cancer, and esophageal cancer); and (ii) vascular interventional therapy for the treatment of atrial fibrillation, hypertension and other cardiovascular diseases. We believe our competitive advantage, technologies and product pipeline have helped us establish high entry barriers difficult for our competitors to surpass.

BUSINESS REVIEW

A review of the business of the Group during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion and analysis on the Group's future business development and the financial and operational key performance indicators employed by the Directors in measuring the performance of the Group's business is set out in the section headed "Management Discussion and Analysis" on pages 6 to 18 of this annual report. These discussions form part of this Directors' report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After The Reporting Period" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control:

Risks Relating to Our Financial Position and Need for Additional Capital

- Our current revenue is generated from sales of a limited number of medical consumables.
- We had net cash outflows from our operating activities during the Reporting Period and we will need to obtain additional financing to fund our operations. Failure to obtain financing may materially affect the development of our product candidates and the commercialization of our approved products.
- We are exposed to credit risk in relation to prepayments and other receivables.
- We have historically received government grants for our R&D activities and we may not receive such grants in the future.
- Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.
- Share-based payment may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.
- Future tax payments or the discontinuation of any of the preferential tax treatments currently available to use could reduce our profitability.

Risks Relating to the Development of Our Product Candidates

- Clinical product development involves a lengthy and expensive process with an uncertain outcome.
- If we encounter difficulties or delays in enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.
- We may not be successful in developing, enhancing or adapting to new technologies and methodologies.
- Our employees, collaborators, service providers, independent contractors, principal investigators, vendors, contract research organizations and site management organizations may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could result in delay or failure to develop our product candidates.

Risks Relating to the Commercialization of Our Product Candidates

- If physicians and hospitals are not receptive to our product candidates, our results of operations may be negatively affected.

- Failure to achieve broad market acceptance could have a material adverse impact on our business and results of operations.

- If our distributors fail to expand or maintain their sales network, or if we fail to educate or manage our distributors effectively, our sales may decline.

- The growth and success of our business depends on the performance of us and our distributors in government-administered tender processes.

- The policies of centralized procurement of high-value medical consumables set by the PRC government may cover our products in the future, and the prices of our products may experience downward changes, which in turn may have a material adverse impact on our revenue, financial condition and results of operation.

- Downward changes in the pricing of our products may have a material adverse effect on our business and results of operations.

- Even if we are able to commercialize any of our product candidates, our sales may be affected by the level of medical insurance reimbursement patients receive for using our products.

Risks Relating to Extensive Government Regulations

- The research, development and commercialization of our product candidates are heavily regulated in all material aspects.

- The regulatory approval processes are lengthy, expensive and inherently unpredictable.

- We or parties on whom we rely on may fail to maintain or renew the necessary permits, licenses and certificates required for the development and production of our product candidates.

- We may not be able to comply with ongoing regulatory obligations which may result in withdrawal of approvals of our products.

- Changes in regulatory requirements may adversely affect our business.

- The implementation status of the “Two-Invoice System” for medical consumables may have a material impact on our business.

Risks Relating to Manufacture and Supply of Our Products and Product Candidates

- The manufacture of our products and product candidates is highly complex and subject to strict quality controls. Our business could suffer if our products or product candidates are not produced in compliance with all the applicable quality standards.

- We mainly rely on our two production facilities in Shanghai and Ningbo for the manufacturing of our products and product candidates; any disruptions to the operation of our production facilities could materially adversely affect our business, financial condition and results of operations.

- We may be exposed to potential product liability claims, and our insurance coverage may be inadequate to protect us from all the liabilities we may incur.

- If we fail to increase our production capacity as planned, our business prospects could be materially and adversely affected.

- We rely on a limited number of suppliers, and may not be able to secure a stable supply of qualified raw materials at all times or at all.

- An increase in the market price of our raw materials and components may adversely affect our financial position.

- Failure to manage our inventory effectively would materially and adversely affect our financial condition and results of operations.

Risks Relating to Our Intellectual Property Rights

- Failure to adequately protect our intellectual property rights may adversely affect our reputation and disrupt our business operation.

- We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful. Our patent rights relating to our products and product candidates could be found invalid or unenforceable if being challenged in court or before the CNIPA or courts or related intellectual property agencies in other jurisdictions.

- Obtaining and maintaining our patent protection depends on compliance with various procedures, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

- Changes in patent laws could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

- If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may be subject to claims if our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

- If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Risks Relating to Our Operations

- Our future success depends on our ability to retain key executives and to attract, hire, retain and motivate other qualified and highly skilled personnel.

- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

- We may encounter difficulties in managing our growth and expanding our operations successfully.

- We face substantial competition and rapid market changes, and our competitors may discover, develop or commercialize competing products before or more successfully than we do, or respond and adapt to the market changes more quickly and effectively.

- We have entered into collaborations, and may establish or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not realize the benefits of such collaborations, alliances or licensing arrangements.

- Our future acquisitions and investments may subject us to risks and uncertainties.

- Acquisitions or strategic partnerships may increase our capital requirements, dilute our Shareholders' ownership interest, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

- The medical device industry in China is rapidly evolving, and we may be unable to maintain or enhance our market share in this industry for a variety of reasons.

- If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud.

- If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.

- We may be subject, directly or indirectly, to applicable anti-kickback, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations in China and other jurisdictions, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

- If we or our business partners fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

- If we or our business partners fail to protect patient data and privacy, our reputation will be damaged and we might be subject to fines or other regulatory punishments.

- If our employees or distributors engage in bribery or corrupt practices or other improper conduct, we may be subject to liability and our reputation and business could be harmed.

- Our internal computer systems as well as those of our service providers may fail or suffer security breaches.

- We have limited insurance coverage which may not adequately cover all the risks and hazards associated with our operations.

- Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

- Our business significantly depends on our reputation and customer perception of us and any negative publicity on us, our Shareholders, Directors, officers, employees, suppliers, or other parties we cooperate with, or related to our industry, may materially adversely affect our business, financial condition and results of operations.

- If parties on whom we rely fail to maintain the necessary licenses for the development, production, sales and distribution of our products, our ability to conduct our business could be materially impaired.

- Fair value change of financial assets at fair value through profit or loss may affect the Group's financial performance.

- We are exposed to risks relating to our failure to complete property leasing registrations for our leased properties.

- Fluctuations in exchange rates of the Renminbi could result in foreign currency exchange losses.

- We may be subject to penalties under relevant PRC laws and regulations due to failure in full compliance with social insurance and housing provident fund regulation.

Risks Relating to Doing Business in China

- The medical device industry in China is highly regulated and such regulations are subject to change which may affect approval and commercialization of our products and product candidates.

- Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

- The PRC legal system embodies inherent uncertainties that may affect the protection afforded to our business and our Shareholders.

- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management based on Hong Kong or other foreign laws.

- Gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.

- Governmental control of currency conversion, and restrictions on the remittance of Renminbi into and out of the PRC, may limit our ability to utilize our revenue effectively and adversely affect the value of your investment.

- Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

- We may be restricted from transferring our scientific data abroad.

- The political relationships between China and other countries may affect our business operations.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

Further details of the Company's environmental policies and performance are disclosed in the Environmental, Social and Governance report in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2022, there was no material breach of, or non-compliance with, applicable laws and regulations, by the Group.

HUMAN RESOURCES

As of December 31, 2022, the Group had 375 full-time employees, and substantially all of them were based in China. The total employee benefits expenses of our Group, which consist of (i) terms, wages, salaries and bonuses, (ii) social security costs, (iii) employee welfare and (iv) equity-settled share awards, for the year ended December 31, 2022 were approximately RMB102.3 million. We recruit our employees based on a number of factors, including our needs and expansion plans, and the candidates' work experience and educational background. We invest in continuing training programs for our management staff and other employees to upgrade their skills and knowledge continuously. We provide our employees with regular feedback as well as internal and external training in various areas, such as product knowledge, project development and team building. We also assess our employees based on their performance to determine their salary, promotion and career development. In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters including terms, wages, bonuses, employee benefits, and grounds for termination. In addition, we are required under PRC law to make contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds at a certain percentage of our employees' salaries, including bonus and allowances, up to a maximum amount specified by the local government.

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the Group's subsidiary in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. The Group's contributions made to the above retirement benefits scheme is non-refundable and cannot be used to reduce the future or existing level of contribution of the Group should any forfeiture be resulted from the scheme.

Details of the pension contributions of the Company are set out in Note 2.4 and Note 6 to the consolidated financial statements in this annual report.

MAJOR SUPPLIERS

The Group selects its suppliers by considering their product quality, industry reputation and compliance with relevant regulations and industry standards.

For the year ended December 31, 2022, purchases from the Group's five largest suppliers in the aggregate amounted to RMB5.8 million (2021: RMB13.4 million), accounting for 8.4% (2021: 24.3%) of the Group's total purchases for the same year. Purchases from the Group's largest supplier for the year ended December 31, 2022 amounted to RMB2.0 million (2021: RMB5.8 million), accounting for approximately 2.9% (2021: 10.6%) of the Group's total purchases for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company which, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

During the year ended December 31, 2022, the Group did not experience any significant disputes with its suppliers.

MAJOR CUSTOMERS

For the year ended December 31, 2022, sales from the Group's five largest customers in the aggregate amounted to RMB10.0 million (2021: RMB8.2 million), accounting for 36.9% (2021: 36.5%) of the Group's total sales for the same year. Sales from the Group's largest customer for the year ended December 31, 2022 amounted to RMB2.7 million (2021: RMB1.9 million), accounting for approximately 10.1% (2021: 8.4%) of the Group's total sales for the same year.

None of the Directors, their respective close associates, or any shareholder of the Company which, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest customers.

During the year ended December 31, 2022, the Group did not experience any significant disputes with its customers.

KEY RELATIONSHIP WITH STAKEHOLDERS

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

Relationship with Our Employees

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

Relationship with Shareholders

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

BIOGRAPHIES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, Supervisors and the senior management of the Company are set out in the section headed "Directors, Supervisors and Senior Management" on pages 19 to 28 of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended December 31, 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors and any of their spouse and children under the age of 18 had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the Directors, Supervisors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the individual performance and comparable market statistics.

Details of the remuneration of the Directors, Supervisors and the five highest paid individuals for the Reporting Period are set out in Note 8 and Note 9 to the consolidated financial statements.

During the Reporting Period, there was no emolument paid by the Group to any of the Directors, Supervisors and the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office. None of the Directors waived or agreed to waive any emoluments for the year ended December 31, 2022.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors and Supervisors nor any entity connected with the Directors or Supervisors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no controlling shareholders or their respective subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

DIRECTORS INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and save for their respective interests in the Group, none of the Directors was interested in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended December 31, 2022.

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

Non-Competition Undertaking

Our Controlling Shareholders provided a non-competition undertaking (the "**Non-Competition Undertaking**") in favor of us, pursuant to which our Controlling Shareholders undertook not to, and to procure their respective close associate(s) (as appropriate) (other than our Group) not to, either directly or indirectly, compete with our business, which includes innovative products for minimally-invasive interventional cryotherapy and certain non-cryotherapy products in the categories of magnetic rings, digestive endoscopic anastomosis medical devices, single hole laparoscopic surgical approach system and related accessories, lung puncture localization, balloon dilatation catheters for endoscopic use and atrial fibrillation pulsed field ablation systems ("**Restricted Activities**") and granted our Group the option for new business opportunities. Our Controlling Shareholders have further irrevocably undertaken in the Non-Competition Undertaking that, during the term of the Non-Competition Undertaking, they will not, and will also procure their respective close associate(s) (as appropriate) (other than our Group) not to, alone or with a third party, in any form, directly or indirectly, engage in, participate in, support to engage in or participate in any business that competes, or is likely to compete, directly or indirectly, with the Restricted Activities.

The Controlling Shareholders confirmed that they and their respective close associates (other than the Group) had complied with the Non-Competition Undertaking for the year ended December 31, 2022. The independent non-executive Directors conducted a review of compliance with such undertaking for the year ended December 31, 2022 and were satisfied that the Non-Competition Undertaking had been fully complied with for the year ended December 31, 2022.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered or existed during the year ended December 31, 2022.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details on related party transactions for the year ended December 31, 2022 are set out in Note 29 to the consolidated financial statements.

Upon the Listing, the following transactions would be regarded as continuing connected transactions of our Company subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Master Lease Agreement

a) **Description of the Transaction**

Our Company (for and on behalf of ourselves and our subsidiaries) entered into a master lease agreement dated December 9, 2022 (the "**Master Lease Agreement**") with Ningbo Linfeng (one of the Controlling Shareholders) (for and on behalf of itself and its subsidiaries), pursuant to which we may lease from Ningbo Linfeng properties in the Linfeng Medical Technology Campus (麟灃醫療科技產業園) located at No. 777, Binhai 4th Road, Hangzhou Bay New District, Ningbo (the "**Campus**") for use as plants and staff quarters. Our subsidiary, Ningbo SensCure has been leasing properties in the Campus for its business operations prior to and throughout the period from January 1, 2020 to August 31, 2022 (the "**Track Record Period**"). Any relocation may cause unnecessary disruption to our business operation and incur unnecessary costs.

Our Group and Ningbo Linfeng and/or its subsidiaries will enter into separate lease agreements which will set out the specific terms and conditions according to the principles in the Master Lease Agreement. The Master Lease Agreement is effective from the Listing Date till December 31, 2024 and may be renewed conditional on the fulfillment of the relevant requirements under the relevant laws, regulations and the Listing Rules.

As of December 31, 2020, 2021 and 2022, the total value of right-of-use assets relating to the leases entered into by our Group under the Master Lease Agreement was RMB189,998, RMB1,939,436, and RMB6,122,790, respectively. For the three years ended December 31, 2020, 2021 and 2022, the aggregate short-term lease payments and other charges under the Master Lease Agreement were RMB581,345, RMB608,380 and RMB1,143,210, respectively.

The Master Lease Agreement is on normal commercial terms or better. The rental was determined by our Group and Ningbo Linfeng through arm's length negotiation based on a number of factors, including but not limited to the prevailing market rental rate of similar property located in the vicinity, the area leased and the term of the lease. Other charges under the Master Lease Agreement, which include property management fees and water and electricity fees, were arrived at after arm's length negotiation between the parties with reference to the area of the leased properties, the water and electricity fees prescribed by the relevant governmental department and the actual usage of water and electricity.

b) **Listing Rules Implications**

According to HKFRS 16 Leases which was adopted by our Group effective from January 1, 2019, where (i) the lease term of a lease has a non-cancellable period and (ii) such period is covered by an option to extend the lease with reasonable certainty that the lessee will exercise that option or such period is covered by an option to terminate the lease with reasonable certainty that the lessee will not exercise that option, such lease will be recognized as right-of-use assets. Since our Group is reasonably certain to exercise the option to extend the leases for plants with Ningbo Linfeng under the Master Lease Agreement because our Group has made some leasehold improvements at the plants which have an estimated useful life of five years, the leases of such plants by our Group as a lessee are recognized as right-of-use assets. As such, our Company is required to set annual caps based on the total value of right-of-use assets relating to such leases to be entered into by our Group as a lessee in each year under the Master Lease Agreement. Further, according to HKFRS 16 Leases, the recognition exemption (i.e. not to recognize a lease liability and a right-of-use asset at the commencement of a lease) applies where the lease, as of its commencement date, has a lease term of 12 months or less, or where a lease of low-value assets having a value of US$5,000 or less is concerned. As such, the leases for staff quarters under the Master Lease Agreement are regarded as short-term lease payments, and such short-term lease payments and other charges under the Master Lease Agreement are recognized as expenses incurred by our Group. As such, our Company is required to set annual caps for such short-term lease payments and other charges payable by our Group in each year under the Master Lease Agreement.

For the year ended December 31, 2022 and the two years ending December 31, 2023 and 2024, (i) the proposed annual caps on the year-end total value of right-of-use assets relating to the leases to be or expected to be entered into by our Group under the Master Lease Agreement are RMB7,934,000, RMB5,935,000 and RMB3,891,000, respectively, and (ii) the proposed annual caps for the maximum aggregate annual amount of short-term lease payments and other charges under the Master Lease Agreement are RMB1,405,925, RMB2,627,252 and RMB3,327,252, respectively. The respective proposed annual caps for the transactions contemplated under the Master Lease Agreement were determined with reference to (i) the existing lease contracts that our Group has entered into with Ningbo Linfeng which in particular, included a new lease our Group entered into with Ningbo Linfeng after the end of the Track Record Period in respect of new manufacturing plants to prepare for commercialization of our Bladder Cryoablation System and Endoscopic Clip for Anastomosis, (ii) the historical rental and expected fluctuation in the rental, (iii) the historical property management fees and water and electricity fees paid by us during the Track Record Period, and (iv) the estimated property management fees and water and electricity fees payable by us under the Master Lease Agreement.

The historical transactions entered into with Ningbo Linfeng in respect of lease arrangements have been, and the transactions contemplated under the Master Lease Agreement will be, entered into in the ordinary and usual course of business of our Company, on normal commercial terms or better. As each of the applicable percentage ratios in respect of the transactions contemplated under the Master Lease Agreement will, as our Company currently expects, be less than 5% on an annual basis but the total consideration on an annual basis is more than HK$3 million, the transactions contemplated under the Master Lease Agreement would, upon Listing, be subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to the above transactions under Chapter 14A of the Listing Rules.

Confirmation from Independent Non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, all the independent non-executive Directors have reviewed the aforesaid continuing connected transactions conducted by the Group for the year ended December 31, 2022, and confirmed that the Master Lease Agreement has been entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the Master Lease Agreement governing them, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

In accordance with Rule 14A.56 of the Listing Rules, the Group has engaged its auditor (the "**Auditor**") to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the aforesaid continuing connected transactions conducted by the Group for the year ended December 31, 2022. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above and other than transactions disclosed as fully exempt continuing connected transactions in the Prospectus, (i) none of the related party transactions constituted a connected transaction or continuing connected transaction which is subject to the Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules; and (ii) there was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Listing Rules during the Reporting Period. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules (if applicable) in respect of the aforementioned transactions.

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

As of December 31, 2022, the interests and short positions of the Directors, Supervisors or chief executive of the Company in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director/ Supervisor/ Chief Executive	Capacity/ nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the total share capital of our Company[(1)]	Approximate percentage of shareholding in the relevant class of Shares[(2)]
Mr. ZHU Jun (朱軍)[(3)]	Beneficial owner; interest in a controlled corporation	Unlisted Shares H Shares	9,721,236 4,166,244	4.07% 1.74%	7.78% 3.65%
Mr. Lv[(4)]	Beneficial owner; interest in a controlled corporation; interest held jointly with another person	Unlisted Shares H Shares	91,369,084 41,578,172	38.21% 17.39%	73.09% 36.44%
Mr. SUN Xiaolu (孫曉路)[(5)] (resigned on March 16, 2023)	Interest in controlled corporations	Unlisted Shares H Shares	5,295,368 10,317,388	2.21% 4.31%	4.24% 9.04%

Notes:

(1) The calculation is based on the total number of 239,110,000 Shares in issue as of December 31, 2022.

(2) The calculation is based on the total number of 125,013,402 Unlisted Shares and 114,096,598 H Shares in issue as of December 31, 2022.

(3) Mr. ZHU Jun (朱軍) ("**Mr. Zhu**"), our executive Director, beneficially owns 1,030,697 Unlisted Shares and 441,727 H Shares of our Company. As at December 31, 2022, Mr. Zhu owned approximately 38.77% in Ningbo Hongyingkang as one of its limited partners. As such, under the SFO, Mr. Zhu is deemed to be interested in the 8,690,539 Unlisted Shares and 3,724,517 H Shares held by Ningbo Hongyingkang.

(4) Mr. Lv beneficially owns 15,308,992 Unlisted Shares and 6,560,996 H Shares of our Company. As at December 31, 2022, Mr. Lv owned approximately 37.22% in Ningbo Maishang as one of its limited partners. As such, under the SFO, Mr. Lv is deemed to be interested in the 8,972,712 Unlisted Shares and 3,845,448 H Shares held by Ningbo Maishang. Further, pursuant to a concert party agreement dated April 26, 2021 entered into by Ms. Li and Mr. Lv, the Concert Parties confirmed that they have been acting in concert in exercising Shareholders' rights pertaining to our Group (including our Company and Ningbo SensCure) since January 1, 2014, and they have agreed to continue to act in concert and reach consensus on proposals related to the daily management and operation of our Group presented to general meetings of the Shareholders of our Company for voting. As at December 31, 2022, Ningbo Linfeng was owned as to 65% by Shanghai Shidi which was in turn wholly owned by Ms. Li. Further, as at December 31, 2022, Ms. Li controlled the executive partner of each of Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui, namely, Shanghai Shidi Biotechnology Co., Ltd. (上海仕地生物科技有限公司) ("**Shidi Biotechnology**"). Shidi Biotechnology is entitled to exercise the voting power held by each of Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui in our Company pursuant to their respective partnership agreements. As at December 31, 2022, Tongshang Linfeng Equity Investment Partnership (Limited Partnership) (寧波通商麟灃股權投資合夥企業(有限合夥)) ("**Tongshang Linfeng**") was owned as to approximately 49.02% by Ningbo Linfeng as a limited partner. As such, under the SFO, Ms. Li is deemed to be interested in the 76,060,092 Unlisted Shares and 35,017,176 H Shares held by Shanghai Shidi, Ningbo Linfeng, Ningbo Maishang, Ningbo Hongyingkang, Ningbo Kangrui and Tongshang Linfeng.

(5) Each of Hangzhou Proxima Innovative Investment L.P. (Limited Partnership) (杭州比鄰星創新投資合夥企業(有限合夥)) ("**Hangzhou Proxima**") and Suzhou Proxima Venture Investment L.P. (Limited Partnership) (蘇州比鄰星創業投資合夥企業(有限合夥)) ("**Suzhou Proxima**") is a limited partnership established in the PRC and is managed by its general partner, Hangzhou Proxima Innovative Investment Management L.P. (Limited Partnership) (杭州比鄰星創新投資管理合夥企業(有限合夥)), whose general partner is Shanghai Proxima Asset Management Co., Ltd. (上海比鄰星資產管理有限公司), which is owned as to 90% by Mr. SUN Xiaolu (孫曉路), our former non-executive Director. As such, under the SFO, Hangzhou Proxima Innovative Investment Management L.P. (Limited Partnership) (杭州比鄰星創新投資管理合夥企業(有限合夥)), Shanghai Proxima Asset Management Co., Ltd. (上海比鄰星資產管理有限公司) and Mr. SUN Xiaolu (孫曉路) are deemed to be interested in 5,295,368 Unlisted Shares and 10,317,388 H Shares held by Hangzhou Proxima and Suzhou Proxima.

Save as disclosed above, as of December 31, 2022, so far as it was known to the Directors, Supervisors or chief executive of the Company, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of December 31, 2022, so far as the Directors are aware, the following persons had or were deemed or taken to have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long Positions in the Shares of Our Company

Name of shareholder	Capacity/ nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the total share capital of our Company[1]	Approximate percentage of shareholding in the relevant class of Shares[2]
Ms. Li[3]	Interest in controlled corporations; interest held jointly with another person	Unlisted Shares H Shares	91,369,084 41,578,172	38.21% 17.39%	73.09% 36.44%
Mr. Lv[3]	Beneficial owner; interest in a controlled corporation; interest held jointly with another person	Unlisted Shares H Shares	91,369,084 41,578,172	38.21% 17.39%	73.09% 36.44%
Ningbo Linfeng[4]	Beneficial owner; interest in controlled corporations	Unlisted Shares H Shares	66,058,120 30,730,616	27.63% 12.85%	52.84% 26.93%
Shanghai Shidi[4][5]	Beneficial owner; interest in controlled corporations	Unlisted Shares H Shares	76,060,092 35,017,176	31.81% 14.64%	60.84% 30.69%
Shanghai Shidi Biotechnology Co., Ltd. (上海仕地生物科技有限公司) ("**Shidi Biotechnology**")[4]	Interest in controlled corporations	Unlisted Shares H Shares	21,519,825 9,222,783	9.00% 3.86%	17.21% 8.08%
Mr. ZHU Jun (朱軍)[6]	Beneficial owner; interest in a controlled corporation	Unlisted Shares H Shares	9,721,236 4,166,244	4.07% 1.74%	7.78% 3.65%
Ningbo Maishang	Beneficial owner	Unlisted Shares H Shares	8,972,712 3,845,448	3.75% 1.61%	7.18% 3.37%
Ningbo Hongyingkang	Beneficial owner	Unlisted Shares H Shares	8,690,539 3,724,517	3.63% 1.56%	6.95% 3.26%

Name of shareholder	Capacity/ nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the total share capital of our Company[(1)]	Approximate percentage of shareholding in the relevant class of Shares[(2)]
Zhuhai Gao Ling Junheng Equity Investment L.P. (Limited Partnership) (珠海高瓴鈞恒股權投資合夥企業(有限合夥)) ("**Gao Ling Junheng**")[(7)]	Beneficial owner	Unlisted Shares H Shares	13,537,272 5,801,688	5.66% 2.43%	10.83% 5.08%
Shenzhen Gao Ling Tiancheng III Investment Co., Ltd. (深圳高瓴天成三期投資有限公司)[(7)]	Interest in controlled corporations	Unlisted Shares H Shares	13,537,272 5,801,688	5.66% 2.43%	10.83% 5.08%
Ms. ZHANG Haiyan (張海燕)[(7)]	Interest in controlled corporations	Unlisted Shares H Shares	13,537,272 5,801,688	5.66% 2.43%	10.83% 5.08%
Shenzhen Gao Ling Muqi Equity Investment Fund L.P. (Limited Partnership) (深圳高瓴慕祺股權投資基金合夥企業(有限合夥))[(7)]	Interest in controlled corporations	Unlisted Shares H Shares	13,537,272 5,801,688	5.66% 2.43%	10.83% 5.08%
Xiamen Gao Ling Ruiqi Equity Investment Fund L.P. (Limited Partnership) (廈門高瓴瑞祺股權投資基金合夥企業(有限合夥))[(7)]	Interest in controlled corporations	Unlisted Shares H Shares	13,537,272 5,801,688	5.66% 2.43%	10.83% 5.08%
Suzhou Industrial Park New Phase 2 Venture Capital Enterprise (Limited Partnership) (蘇州工業園區新建元二期創業投資企業(有限合夥)) ("**Suzhou New Phase 2 VC**")[(8)]	Beneficial owner	H Shares	12,283,500	5.14%	10.77%
Suzhou YuanBio Private Equity Fund Management Partnership Enterprise (Limited Partnership) (蘇州元生私募基金管理合夥企業(有限合夥))[(8)]	Interest in controlled corporations	H Shares	12,283,500	5.14%	10.77%
Suzhou Industrial Park Zhinuo Business Information Consulting Co., Ltd. (蘇州工業園區智諾商務信息諮詢有限公司)[(8)]	Interest in controlled corporations	H Shares	12,283,500	5.14%	10.77%
Mr. CHEN Jie (陳杰)[(8)]	Interest in controlled corporations	H Shares	12,283,500	5.14%	10.77%

Name of shareholder	Capacity/ nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the total share capital of our Company[1]	Approximate percentage of shareholding in the relevant class of Shares[2]
Hangzhou Proxima Innovative Investment L.P. (Limited Partnership) (杭州比鄰星創新投資合夥企業(有限合夥)) ("**Hangzhou Proxima**")[9]	Beneficial owner	H Shares	8,047,944	3.37%	7.05%
Mr. SUN Xiaolu (孫曉路)[9]	Interest in controlled corporations	Unlisted Shares H Shares	5,295,368 10,317,388	2.21% 4.31%	4.24% 9.04%
Hangzhou Proxima Innovative Investment Management L.P. (Limited Partnership) (杭州比鄰星創新投資管理合夥企業(有限合夥))[9]	Interest in controlled corporations	Unlisted Shares H Shares	5,295,368 10,317,388	2.21% 4.31%	4.24% 9.04%
Shanghai Proxima Asset Management Co., Ltd. (上海比鄰星資產管理有限公司)[9]	Interest in controlled corporations	Unlisted Shares H Shares	5,295,368 10,317,388	2.21% 4.31%	4.24% 9.04%
FutureX Investment I Company Limited[10]	Beneficial owner	H Shares	7,963,128	3.33%	6.98%
FutureX Capital Limited[10]	Interest in controlled corporations	H Shares	7,963,128	3.33%	6.98%
FutureX Fund Management (Hong Kong) Limited[10]	Investment manager	H Shares	7,963,128	3.33%	6.98%
FutureX ICT Opportunity Fund II LP[10]	Interest in controlled corporations	H Shares	7,963,128	3.33%	6.98%
FutureX Innovation II Limited[10]	Interest in controlled corporations	H Shares	7,963,128	3.33%	6.98%
Ms. ZHANG Qian (張倩)[10]	Interest in controlled corporations	H Shares	7,963,128	3.33%	6.98%
Shengshan Asset Management (Shanghai) Co., Ltd. (盛山資產管理(上海)有限公司)[11]	Interest in controlled corporations	H Shares	6,072,552	2.54%	5.32%
Mr. GAN Shixiong (甘世雄)[11]	Interest in controlled corporations	H Shares	6,072,552	2.54%	5.32%
Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)	Investment manager	H Shares	5,918,000	2.48%	5.19%

Notes:

(1) The calculation is based on the total number of 239,110,000 Shares in issue as of December 31, 2022.

(2) The calculation is based on the total number of 125,013,402 Unlisted Shares and 114,096,598 H Shares in issue as of December 31, 2022.

(3) Pursuant to a concert party agreement dated April 26, 2021 entered into by Ms. Li and Mr. Lv, the Concert Parties confirmed that they have been acting in concert in exercising Shareholders' rights pertaining to our Group (including our Company and Ningbo SensCure) since January 1, 2014, and they have agreed to continue to act in concert and reach consensus on proposals related to the daily management and operation of our Group presented to general meetings of the Shareholders of our Company for voting. Mr. Lv beneficially owns 15,308,992 Unlisted Shares and 6,560,996 H Shares of our Company. As at December 31, 2022, Mr. Lv owned approximately 37.22% in Ningbo Maishang as one of its limited partners. As such, under the SFO, Mr. Lv is deemed to be interested in the 8,972,712 Unlisted Shares and 3,845,448 H Shares held by Ningbo Maishang. As at December 31, 2022, Ningbo Linfeng was owned as to 65% by Shanghai Shidi which was in turn wholly owned by Ms. Li. Further, as at December 31, 2022, Ms. Li controlled the executive partner of each of Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui, namely, Shidi Biotechnology. Shidi Biotechnology is entitled to exercise the voting power held by each of Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui in our Company pursuant to their respective partnership agreements. As at December 31, 2022, Tongshang Linfeng Equity Investment Partnership (Limited Partnership) (寧波通商麟灃股權投資合夥企業(有限合夥)) ("**Tongshang Linfeng**") was owned as to approximately 49.02% by Ningbo Linfeng as a limited partner. As such, under the SFO, Ms. Li is deemed to be interested in the 76,060,092 Unlisted Shares and 35,017,176 H Shares held by Shanghai Shidi, Ningbo Linfeng, Ningbo Maishang, Ningbo Hongyingkang, Ningbo Kangrui and Tongshang Linfeng.

(4) Ningbo Linfeng beneficially owns 44,538,295 Unlisted Shares and 19,087,841 H Shares of our Company. As at December 31, 2022, the executive partner of each of Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui, namely, Shidi Biotechnology, is wholly owned by Ningbo Linfeng. Shidi Biotechnology is entitled to exercise the voting power held by each of Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui in our Company pursuant to their respective partnership agreements. As such, under the SFO, Shidi Biotechnology and Ningbo Linfeng are deemed to be interested in the 21,519,825 Unlisted Shares and 9,222,783 H Shares held by Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui. Further, as at December 31, 2022, Tongshang Linfeng was owned as to approximately 49.02% by Ningbo Linfeng as a limited partner. As such, under the SFO, Ningbo Linfeng is also deemed to be interested in the 2,419,992 H Shares held by Tongshang Linfeng.

(5) Shanghai Shidi beneficially owns 10,001,972 Unlisted Shares and 4,286,560 H Shares of our Company. As at December 31, 2022, Ningbo Linfeng was owned as to 65% by Shanghai Shidi. As such, under the SFO, Shanghai Shidi is deemed to be interested in the 66,058,120 Unlisted Shares and 30,730,616 H Shares held by Ningbo Linfeng, Ningbo Maishang, Ningbo Hongyingkang, Ningbo Kangrui and Tongshang Linfeng.

(6) Mr. ZHU Jun (朱軍) ("**Mr. Zhu**"), our executive Director, beneficially owns 1,030,697 Unlisted Shares and 441,727 H Shares of our Company. As at December 31, 2022, Mr. Zhu owned approximately 38.77% in Ningbo Hongyingkang as one of its limited partners. As such, under the SFO, Mr. Zhu is deemed to be interested in the 8,690,539 Unlisted Shares and 3,724,517 H Shares held by Ningbo Hongyingkang.

(7) Gao Ling Junheng is a limited partnership established in the PRC, whose general manager is Shenzhen Gao Ling Tiancheng III Investment Co., Ltd. (深圳高瓴天成三期投資有限公司), which is owned as to 55% by Ms. ZHANG Haiyan (張海燕). Further, Gao Ling Junheng is owned as to approximately 50.11% and 36.42% by its limited partners, Shenzhen Gao Ling Muqi Equity Investment Fund L.P. (Limited Partnership) (深圳高瓴慕祺股權投資基金合夥企業(有限合夥)) and Xiamen Gao Ling Ruiqi Equity Investment Fund L.P. (Limited Partnership) (廈門高瓴瑞祺股權投資基金合夥企業(有限合夥)), respectively. As such, under the SFO, Shenzhen Gao Ling Tiancheng III Investment Co., Ltd. (深圳高瓴天成三期投資有限公司), Ms. ZHANG Haiyan (張海燕), Shenzhen Gao Ling Muqi Equity Investment Fund L.P. (Limited Partnership) (深圳高瓴慕祺股權投資基金合夥企業(有限合夥)) and Xiamen Gao Ling Ruiqi Equity Investment Fund L.P. (Limited Partnership) (廈門高瓴瑞祺股權投資基金合夥企業(有限合夥)) are deemed to be interested in the 13,537,272 Unlisted Shares and 5,801,688 H Shares held by Gao Ling Junheng.

(8) Suzhou New Phase 2 VC is a limited partnership established in the PRC, which is managed by its general partner, Suzhou YuanBio Private Equity Fund Management Partnership Enterprise (Limited Partnership) (蘇州元生私募基金管理合夥企業(有限合夥)), whose general partner is Suzhou Industrial Park Zhinuo Business Information Consulting Co., Ltd. (蘇州工業園區智諾商務信息諮詢有限公司), which is owned as to 99% by Mr. CHEN Jie (陳杰). As such, under the SFO, Suzhou YuanBio Private Equity Fund Management Partnership Enterprise (Limited Partnership) (蘇州元生私募基金管理合夥企業(有限合夥)), Suzhou Industrial Park Zhinuo Business Information Consulting Co., Ltd. (蘇州工業園區智諾商務信息諮詢有限公司) and Mr. CHEN Jie (陳杰) are deemed to be interested in the 12,283,500 H Shares held by Suzhou New Phase 2 VC.

(9) Each of Hangzhou Proxima and Suzhou Proxima Venture Investment L.P. (Limited Partnership) (蘇州比鄰星創業投資合夥企業(有限合夥)) ("**Suzhou Proxima**") is a limited partnership established in the PRC and is managed by its general partner, Hangzhou Proxima Innovative Investment Management L.P. (Limited Partnership) (杭州比鄰星創新投資管理合夥企業(有限合夥)), whose general partner is Shanghai Proxima Asset Management Co., Ltd. (上海比鄰星資產管理有限公司), which is owned as to 90% by Mr. SUN Xiaolu (孫曉路), our former non-executive Director. As such, under the SFO, Hangzhou Proxima Innovative Investment Management L.P. (Limited Partnership) (杭州比鄰星創新投資管理合夥企業(有限合夥)), Shanghai Proxima Asset Management Co., Ltd. (上海比鄰星資產管理有限公司) and Mr. SUN Xiaolu (孫曉路) are deemed to be interested in 5,295,368 Unlisted Shares and 10,317,388 H Shares held by Hangzhou Proxima and Suzhou Proxima.

(10) FutureX Investment I Company Limited is a limited company incorporated in Hong Kong and is wholly owned by FutureX ICT Opportunity Fund II LP, whose general partner is FutureX Innovation II Limited, which is in turn indirectly wholly owned by Ms. ZHANG Qian (張倩). FutureX Fund Management (Hong Kong) Limited is the Investment Manager of FutureX ICT Opportunity Fund II LP. FutureX Fund Management (Hong Kong) Limited is a limited company incorporated in Hong Kong and is wholly owned by FutureX Capital Limited, which is in turn indirectly wholly owned by Ms. ZHANG Qian (張倩). As such, under the SFO, FutureX ICT Opportunity Fund II LP, FutureX Innovation II Limited, FutureX Fund Management (Hong Kong) Limited, FutureX Capital Limited and Ms. ZHANG Qian (張倩) are deemed to be interested in the 7,963,128 H Shares held by FutureX Investment I Company Limited.

(11) Shanghai Shengshan Xingqian Venture Capital Center (Limited Partnership) (上海盛山興錢創業投資中心(有限合夥)) ("**Shengshan Xingqian**") is a limited partnership established in the PRC and is managed by its general partner, Shengshan Asset Management (Shanghai) Co., Ltd. (盛山資產管理(上海)有限公司) ("**Shengshan Asset Management**"). Suzhou Shengshan Huiying Venture Capital Enterprise (Limited Partnership) (蘇州盛山滙贏創業投資企業(有限合夥)) ("**Shengshan Huiying**") is a limited partnership established in the PRC and is managed by its general partner, Suzhou Shengshan Chuanghe Venture Capital Center (Limited Partnership) (蘇州盛山創禾創業投資中心(有限合夥)) whose general partner is Shengshan Asset Management. Shengshan Asset Management is owned as to 51% by Mr. GAN Shixiong (甘世雄). As such, under the SFO, Shengshan Asset Management and Mr. GAN Shixiong (甘世雄) are deemed to be interested in the 6,072,552 H Shares held by Shengshan Xingqian and Shengshan Huiying.

Save as disclosed above, as of December 31, 2022, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company, other than the Directors and chief executive of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the Reporting Period.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2022.

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 Reporting Period.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2022 and details of the Shares issued during the year ended December 31, 2022 are set out in Note 25 to the consolidated financial statements.

DEBENTURES ISSUED

The Group did not issue any debenture during the year ended December 31, 2022.

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2022, the Group did not have any bank loans or other borrowings.

CONVERTIBLE BONDS

As of December 31, 2022, the Company has not issued any convertible bonds.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As of December 31, 2022, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the controlling shareholders.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022 (2021: nil).

There is no arrangement under which a Shareholder has waived or agreed to waive any dividend.

PERMITTED INDEMNITY

Directors, supervisors' and senior management's liability insurance is currently in place and was in place for the directors, supervisors and senior management of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the directors, supervisors and senior management during the Reporting Period.

DISTRIBUTABLE RESERVES

As of December 31, 2022, the Company did not have any distributable reserves.

CHARITABLE DONATIONS

During the year ended December 31, 2022, the Group did not make any charitable donations (2021: nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 13 to the consolidated financial statements.

USE OF PROCEEDS FROM LISTING AND PLACING

Use of Proceeds from the Listing

The Company was listed on the Main Board of the Stock Exchange on December 30, 2022. The net proceeds raised from the issue of new H Shares by the Company from the Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately HK$139.9 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 the net proceeds and a summary of their utilization as of December 31, 2022:

Use of proceeds from Listing	Percentage of net proceeds *(%)*	Allocation of net proceeds from the global offering in the proportion disclosed in the Prospectus *(HK$ million)*	Utilized net proceeds during December 31, 2022 *(HK$ million)*	Unutilized net proceeds as of December 31, 2022 *(HK$ million)*	Expected timeline of full utilization of the unutilized net proceeds[(1)]
For the Core Products					
1. Research and development activities, commercial launch (including sales and marketing) and manufacturing of the Bladder Cryoablation System	58.20%	81.40	–	81.40	2024
2. Research and development activities, commercial launch (including sales and marketing) and manufacturing of the Endoscopic Clip for Anastomosis	15.70%	22.00	–	22.00	2023
For research and development activities, planned commercial launch and manufacturing of our AF Cryoablation System	6.10%	8.50	–	8.50	2023
For research and development activities, registration filings, and planned commercial launch and manufacturing of the remaining 14 products and product candidates in our current product pipeline	20.00%	28.00	–	28.00	2023
Total	**100.00%**	**139.90**	**–**	**139.9**	

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 of December 31, 2022, all the unused net proceeds were held by the Company in short-term deposits with licensed banks.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in Note 1 to the consolidated financial statements.

CORPORATE GOVERNANCE

A report on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 29 to 44 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

TAX RELIEF AND EXEMPTION

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

FINANCIAL SUMMARY

The Company's H Shares were listed on the Stock Exchange on December 30, 2022. A summary of the consolidated results and the assets and liabilities of the Group for the last three financial years, is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

AUDITOR

The H Shares were listed on the Stock Exchange on December 30, 2022, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended December 31, 2022 have been prepared by Ernst & Young, the auditor of the Company, who will retire at the conclusion of the AGM and being eligible, offer itself for reappointment. A resolution for the re-appointment of by Ernst & Young as the auditor of the Company will be proposed at the AGM.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Resignation of Non-Executive Director

On March 16, 2023, Mr. SUN Xiaolu (孫曉路) tendered a written resignation letter to the Board to resign as a non-executive Director due to his other personal commitments. For further details, please refer to the Company's announcement dated March 16, 2023.

Proposed Appointment of Executive Director

On March 30, 2023, after review by the nomination committee of the Board, the Board resolved to propose the appointment of Mr. LIU Wei (劉偉) as an executive Director, with a term commencing from the date of approval by the Shareholders at the AGM and ending on the expiration of the term of office of the current session of the Board. Such appointment is subject to the approval from the Shareholders at the AGM and will take effect upon the approval from the Shareholders at the AGM. For further details, please refer to the Company's announcement dated March 30, 2023.

By Order of the Board
Cryofocus Medtech (Shanghai) Co., Ltd.
Mr. LI Kejian
Chairman of the Board

Hong Kong, March 30, 2023

Report of the Supervisors

With the joint efforts of all Supervisors of the Company, in accordance with the laws and regulations such as the PRC Company Law and the provisions of the Articles of Association and the Rules of Procedures for Meeting of the Board of Supervisors, the Board of Supervisors, in the spirit of being responsible to all shareholders of the Company, conscientiously performed the duties and powers granted by relevant laws and regulations, actively and effectively carried out the work, supervised the compliance of the operation of the Company and the performance of duties by Directors and senior management of the Company, and safeguarded the legitimate rights and interests of the Company as well as its Shareholders.

The work of the Board of Supervisors in 2022 and the work plan for 2023 are hereby reported as follows:

I. WORK OF THE BOARD OF SUPERVISORS IN 2022

In 2022, the Board of Supervisors convened and held 2 meetings of the Board of Supervisors pursuant to the laws. The notice, convening and voting procedures for the meetings were in compliance with the requirements of the PRC Company Law and other laws and regulations as well as the Articles of Association and the Rules of Procedures for the Board of Supervisors. The work of the Board of Supervisors mainly included:

1. Attending general Shareholders' meetings of the Company to understand the operation of the general Shareholders' meetings;

2. Attend the meetings of the Board of Directors of the Company to understand the operation of the Board of Directors;

3. Review the financial reports of the Company and the audit reports submitted by accounting firm.

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

(i) Compliance of the Operation

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

(ii) Financial Position of the Company

The Board of Supervisors reviewed and agreed with the audited consolidated financial statements for the year ended December 31, 2022, and believed that the financial statements of the Company has given and objective and true view of the financial position and the operating results of the Company and is free of false representations, misleading statements and material omissions.

(iii) Internal Control

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

(iv) Integrity and Self-discipline

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

III. WORK PLAN FOR 2023

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

(1) attending general Shareholders' meetings of the Company and paying close attention to the operation of the general Shareholders' meetings as well as the Company's business decisions to ensure normal operation of the Company;

(2) attending the meetings of Board of Directors of the Company and continuing to actively participate in various work meetings organized and convened by the Company to keep abreast of the operation of the Board of Directors and the development of the Company's operation to ensure the standardized operation of the Company;

(3) further reinforcing the supervision and inspection of the financial position of the Company; and

(4) supervising the compliance and due diligence of the Directors and senior management of the Company.

The Board of Supervisors
Cryofocus Medtech (Shanghai) Co., Ltd.

March 30, 2023

Independent Auditor's Report

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Cryofocus Medtech (Shanghai) Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Cryofocus Medtech (Shanghai) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 159, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS

Key audit matters	How our audit addressed the key audit matter
Recognition and Measurement of Research and Development Costs ("R&D costs")	
The Group incurred R&D costs of RMB59,933,000 in the consolidated financial statements for the year ended 31 December 2022, mainly consisting of staff costs, cost of materials and consumables, and service fees paid to contract research organisations, clinical site management operators and clinical trial centers (collectively referred to as "Outsourced Service Providers"). We identified the recognition and measurement of R&D costs as a key audit matter due to its significant amount and risk of R&D-related staff costs, third-party contracting costs and cost of materials and consumables not accurately recognised. The accounting policy and the disclosure for significant accounting judgement related to R&D expenses have been disclosed in notes 2.4, 3 and 6 to financial statements, respectively.	1> We obtained an understanding of the key internal controls related to the Group's R&D recognition and measurement process; 2> We evaluated the accrual and allocation of R&D-related staff costs by checking to the working time records maintained by the R&D department; 3> We reviewed the R&D-related costs of materials and consumables by inspecting, on a sample basis, the purchase orders, payment slips, materials requisition and other supporting documents of materials and consumables; 4> We reviewed the key terms set out in the agreements with the Outsourced Service Providers, and we evaluated the progress of R&D projects based on inquiry with project managers, inspection of supporting documents and obtaining confirmations from the Outsourced Service Providers, on a sample basis; 5> We performed analytical procedures for R&D expenses, inquired about the reasons and reasonableness of various cost fluctuations of each R&D project; we also performed cut off procedures, to determine whether these costs were recorded in the appropriate reporting period.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

The engagement partner on the audit resulting in this independent auditor’s report is Yin Guowei.

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**27,149**	22,426
Cost of sales		**(7,787)**	(6,881)
Gross profit		**19,362**	15,545
Other income and gains	5	**11,372**	4,405
Research and development expenses		**(59,933)**	(89,827)
Selling and distribution expenses		**(4,559)**	(4,806)
Administrative expenses		**(83,766)**	(50,753)
Other expenses		**(205)**	(686)
Finance costs	7	**(587)**	(375)
LOSS BEFORE TAX	6	**(185,316)**	(126,497)
Income tax expenses	10	**–**	–
LOSS FOR THE YEAR		**(118,316)**	(126,497)
Attributable to:			
Owners of the parent		**(112,222)**	(101,873)
Non-controlling interests		**(6,094)**	(24,624)
		(118,316)	(126,497)
LOSS per share ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12		
For loss for the year		**RMB(0.49)**	RMB(0.45)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
LOSS FOR THE YEAR	**(118,316)**	(126,497)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**18**	39
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**18**	39
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(118,298)**	(126,458)
Attributable to:		
Owners of the parent	**(112,204)**	(101,834)
Non-controlling interests	**(6,094)**	(24,624)
	(118,298)	(126,458)

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**31,081**	29,116
Right-of-use assets	14	**10,680**	8,977
Other intangible assets	15	**40**	59
Other non-current assets	16	**7,854**	4,154
Total non-current assets		**49,655**	42,306
CURRENT ASSETS			
Inventories	17	**19,928**	11,696
Trade receivables	18	**–**	–
Prepayments, other receivables and other assets	19	**17,858**	19,824
Cash and cash equivalents	20	**226,422**	157,867
Total current assets		**264,208**	189,387
CURRENT LIABILITIES			
Trade payables	21	**1,763**	314
Other payables and accruals	22	**37,275**	23,699
Lease liabilities	14	**3,432**	2,595
Contract liabilities	24	**3,264**	1,681
Total current liabilities		**45,734**	28,289
NET CURRENT ASSETS		**218,474**	161,098
TOTAL ASSETS LESS CURRENT LIABILITIES		**268,129**	203,404
NON-CURRENT LIABILITIES			
Lease liabilities	14	**7,939**	6,406
Deferred income	23	**801**	–
Total non-current liabilities		**8,740**	6,406
NET ASSETS		**259,389**	196,998
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**239,110**	228,000
Reserves	26	**24**	(57,351)
		239,134	170,649
Non-controlling interests		**20,255**	26,349
Total equity		**259,389**	196,998

Mr. LI Kejian
Director

Mr. ZHU Jun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the parent							
	Share capital *(note 25)* *RMB'000*	Share premium* *(note 26)* *RMB'000*	Exchange fluctuation reserve* *(note 26)* *RMB'000*	Share option reserve* *(note 27)* *RMB'000*	Accumulated loss* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2022	228,000	150,640	(66)	213,329	(421,254)	170,649	26,349	196,998
Loss for the year	–	–	–	–	(112,222)	(112,222)	(6,094)	(118,316)
Other comprehensive income for the year:								
Exchange differences related to foreign operations	–	–	18	–	–	18	–	18
Total comprehensive loss for the year	–	–	18	–	(112,222)	(112,204)	(6,094)	(118,298)
Issue of shares from the initial public offering ("IPO")	11,110	176,414	–	–	–	187,524	–	187,524
Share issue expenses	–	(27,286)	–	–	–	(27,286)	–	(27,286)
Equity-settled share option expense *(note 27)*	–	–	–	20,451	–	20,451	–	20,451
As at 31 December 2022	239,110	299,768	(48)	233,780	(533,476)	239,134	20,255	259,389

	Attributable to owners of the parent								
	Share capital *(note 25)* *RMB'000*	Paid-in capital *(note 25)* *RMB'000*	Share premium* *(note 26)* *RMB'000*	Exchange fluctuation reserve* *(note 26)* *RMB'000*	Share option reserve* *(note 27)* *RMB'000*	Accumulated loss* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2021	–	50,802	123,459	(105)	195,507	(319,381)	50,282	–	50,282
Loss for the year	–	–	–	–	–	(101,873)	(101,873)	(24,624)	(126,497)
Other comprehensive income for the year:									
Exchange differences related to foreign operations	–	–	–	39	–	–	39	–	39
Total comprehensive loss for the year	–	–	–	39	–	(101,873)	(101,834)	(24,624)	(126,458)
Capital contribution by shareholders	–	8,750	195,629	–	–	–	204,379	–	204,379
Capital contribution from shareholders of a subsidiary	–	–	–	–	–	–	–	50,973	50,973
Equity-settled share option expense *(note 27)*	–	–	–	–	17,822	–	17,822	–	17,822
Conversion into a joint stock company	228,000	(59,552)	(168,448)	–	–	–	–	–	–
As at 31 December 2021	228,000	–	150,640	(66)	213,329	(421,254)	170,649	26,349	196,998

* These reserve accounts comprise the consolidated reserves of RMB24,000 (2021: negative RMB57,351,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(118,316)**	(126,497)
Adjustments for:		
Finance costs	**587**	375
Investment income on financial assets at fair value through profit or loss	**(463)**	(2,704)
Covid-19-related rent concessions from lessors	**(100)**	–
Depreciation of property, plant and equipment	**4,553**	2,728
Amortisation of other intangible assets	**19**	5
Depreciation of right-of-use assets	**3,062**	1,737
Impairment of other receivables	**205**	118
Foreign exchange difference, net	**(2,622)**	567
Loss on disposal of items of property, plant and equipment	**1**	123
Gain on disposal of items of right-of-use assets	**–**	(9)
Equity-settled share option expense	**20,451**	17,822
(Provision)/write-down of provision for inventories	**(115)**	29
Expenditures of proprietary technologies	**–**	50,973
	(92,738)	(54,733)
Increase in inventories	**(8,117)**	(3,621)
Increase in prepayments, other receivables and other assets	**(8,315)**	(3,624)
Increase in trade payables	**1,449**	129
Increase in other payables and accruals	**8,401**	4,447
Increase/(decrease) in deferred income	**801**	(461)
Increase/(decrease) in contract liabilities	**1,583**	(4,628)
Net cash flows used in operating activities	**(96,936)**	(62,491)

	2022 *RMB'000*	2021 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(7,010)**	(12,436)
Proceeds from disposal of financial assets at fair value through profit or loss	**243,100**	742,830
Investment income	**463**	3,295
Purchase of financial assets at fair value through profit or loss	**(243,100)**	(717,900)
Lease payments before commencement date	**–**	(72)
Purchases of items of other intangible assets	**–**	(64)
Net cash flows (used in)/from investing activities	**(6,547)**	15,653
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**187,524**	204,379
Payment of lease liabilities	**(2,882)**	(2,264)
Listing expenses	**(15,243)**	(4,368)
Net cash flows from financing activities	**169,399**	197,747
NET INCREASE IN CASH AND CASH EQUIVALENTS	**65,916**	150,909
Cash and cash equivalents at beginning of year	**157,867**	7,486
Effect of foreign exchange rate changes, net	**2,639**	(528)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**226,422**	157,867

Notes to the Financial Statements

For the year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION

Cryofocus Medtech (Shanghai) Co., Ltd. ("the Company") is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at Building 15, Lane 3399, Kangxin Road, Pudong New District, Shanghai, the PRC.

During the year, the Group was principally engaged in the following activities:

- research and development, manufacture and sale of cryoablation minimally-invasive interventional treatment technology and related medical products
- manufacture and sale of minimally-invasive surgical consumables

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 December, 2022.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ningbo SensCure Biotechnology Co., Ltd. ("SensCure") (寧波勝杰康生物科技有限公司)*	People's Republic of China ("PRC")/ Mainland China 28 September 2011	RMB19,814,000	100%	–	Research, development of technology and manufacturing and sale of related products
Cryofocus America Inc.*	California, The United States of America 4 January 2018	USD1,000,000	100%	–	Research and development of cryoablation medical devices and provision related technical consultation service
Beijifeng Biotechnology (Shanghai) Co., Ltd. (北極灃生物科技(上海)有限公司)*	PRC/ Mainland China 9 April 2021	RMB41,765,000	71.83%	–	Research, development of technology and manufacturing and sale of related products
Huifeng Biotechnology (Shanghai) Co., Ltd. (輝灃生物科技(上海)有限公司)*	PRC/ Mainland China 9 April 2021	RMB79,208,000	50.50%	–	Research, development of technology and manufacturing and sale of related products
Ningbo Beijifeng Biotechnology Co., Ltd. (寧波北極灃生物科技有限公司)*	PRC/ Mainland China 16 November 2022	RMB20,000,000	–	71.83%	Manufacturing of medical devices and sale of related products
Ningbo Huifeng Biotechnology Co., Ltd. (寧波輝灃生物科技有限公司)*	PRC/ Mainland China 14 November 2022	RMB30,000,000	–	50.50%	Manufacturing of medical devices and sale of related products

* These entities are limited liability enterprises established under PRC law, except for Cryofocus America Inc.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below: *(Continued)*

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group is as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Impairment of non-financial assets

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	5%-20%
Motor vehicles	24%
Office equipment	20%
Leasehold improvements	20%-33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements under construction and equipment under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Below intangible assets is amortised on the straight-line basis over the following useful economic life:

Software	5 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset, as follows:

Buildings	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a change to future payments resulting from a change in an index or rate) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of any building (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of medical consumables and devices

Revenue from the sale of medical consumables and devices is recognised at the point in time when the control of the asset is transferred to the customers, generally on delivery of the medical consumables.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share option scheme, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for share grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where grants include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled grant are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the grant are met. In addition, an expense is recognised for any modification that increases the total fair value of the share option scheme, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled grant is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled grant, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original grant, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of certain overseas subsidiary is currency other than the RMB. As at the end of the reporting period, the assets and liabilities of this entity are translated into RMB at the exchange rate prevailing at the end of the reporting period and that statement of profit or loss is translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalised requires the use of judgements and estimation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in note 10.

Share option scheme

The Group has set up the share compensation plan for the Company's directors and the Group's employees.

Estimating fair value for share option scheme transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the volatility, risk-free interest rate and exercise multiple and making assumptions about them.

For the measure for the fair value of equity-settled transactions with employees at the grant date, the Group uses a binomial model. The assumptions and models used for estimating fair value for share option scheme transactions are disclosed in note 27.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present values of those cash flows.

4. OPERATING SEGMENT INFORMATION

Operating segment information

The Group is engaged in research and development of medical consumables and devices, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no further operating segment analysis thereof is presented.

Geographical information

Since nearly all of the Group's revenue was generated from sale of medical consumables and devices in Mainland China and nearly all of the Group's non-current assets were located in Mainland China, no further geographical segment information in accordance with HKFRS 8 Operating Segments is presented.

Information about major customers

Revenue of approximately RMB2,746,000 (2021: RMB1,889,000) was derived from sale of medical consumables and devices to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Revenue from contracts with customers		
Sale of medical devices and consumables	**27,149**	22,426

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022 ***RMB'000***	2021 *RMB'000*
Goods transferred at a point in time	**27,149**	22,426

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 ***RMB'000***	2021 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Medical consumables	**1,306**	6,309

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of medical consumables and devices

The performance obligation is satisfied upon delivery and inspection of the medical consumables and devices, where payment in advance is normally required.

An analysis of other income and gains is as follows:

	2022 RMB'000	2021 RMB'000
Other income		
Government grants	**7,542**	1,295
Bank interest income	**724**	280
Investment income	**463**	2,704
Others	**21**	126
	8,750	4,405
Gains		
Foreign exchange differences, net	**2,622**	–
	2,622	–
	11,372	4,405

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after crediting:

	Notes	**2022 RMB'000**	2021 RMB'000
Cost of inventories sold		**7,787**	6,881
Depreciation of property, plant and equipment	*13*	**4,553**	2,728
Amortisation of other intangible assets		**19**	5
Depreciation of right-of-use assets	*14*	**3,062**	1,737
Research and development expenses		**59,933**	89,827
Lease payments not included in the measurement of lease liabilities	*14*	**536**	880
Auditor's remuneration		**1,800**	–
Listing expenses		**20,602**	12,356
Employee benefit expense (excluding director's and chief executives' remuneration *(note 8)*):			
Wages and salaries		**55,775**	29,728
Pension scheme contributions		**13,322**	5,443
Equity-settled share option expense		**20,451**	17,822
Foreign exchange differences, net	*5*	**(2,622)**	567
Impairment of other receivables	*19*	**205**	118

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**587**	375

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	**–**	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**2,747**	2,931
Equity-settled share option expense	**9,740**	5,219
Pension scheme contributions	**244**	183
	12,731	8,333

In the prior years, equity-settled share options were granted to Mr. Qiu Junkang, Mr. Zhu Jun and Ms. Li Cuiqin in respect of their services to the Group, further details of which are set out in note 27 to the financial statements. The fair value of such share option, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors', supervisors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Dr. Gao Dayong (a)	**–**	–
Mr. Liang Hsien Tse Joseph (a)	**–**	–
Dr. Qin Zheng (a)	**–**	–
Dr. Hu Henan (b)	**–**	–
	–	–

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Executive directors, non-executive directors, supervisors and chief executive

2022	Fees *RMB'000*	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Equity-settled share option expense *RMB'000*	Total remuneration *RMB'000*
Executive director:					
Mr. Li Kejian (c)	–	–	–	–	–
Mr. Zhu Jun (d)	–	2,271	133	9,609	12,013
	–	2,271	133	9,609	12,013
Non-executive directors:					
Mr. Lv Shiwen (e)	–	–	–	–	–
Mr. Zhao Chunsheng (f)	–	–	–	–	–
Mr. Sun Xiaolu (g)	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
Mr. Qiu Junkang (h)	–	158	37	20	215
Ms. Li Cuiqin (i)	–	318	74	111	503
Mr. Zhu Haorong (j)	–	–	–	–	–
	–	476	111	131	718
	–	2,747	244	9,740	12,731

8. DIRECTORS', SUPERVISORS AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Executive directors, non-executive directors, supervisors and chief executive *(Continued)*

2021	Fees *RMB'000*	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Equity-settled share option expense *RMB'000*	Total remuneration *RMB'000*
Executive directors:					
Mr. Li Kejian (c)	–	–	–	–	–
Mr. Zhu Jun (d)	–	2,244	121	5,088	7,453
	–	2,244	121	5,088	7,453
Non-executive directors:					
Mr. Lv Shiwen (e)	–	–	–	–	–
Mr. Wu Danke (k)	–	–	–	–	–
Mr. Yin Jie (l)	–	–	–	–	–
Mr. Sun Xiaolu (g)	–	–	–	–	–
Mr. Chen Xinxing (m)	–	–	–	–	–
Mr. Zhao Chunsheng (f)	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
Ms. Yuan Dan (n)	–	–	–	–	–
Mr. Qiu Junkang (h)	–	138	25	20	183
Ms. Li Cuiqin (i)	–	549	37	111	697
Mr. Ouyang Ping (o)	–	–	–	–	–
Mr. Shen Qiang (p)	–	–	–	–	–
Mr. Zhu Haorong (j)	–	–	–	–	–
	–	687	62	131	880
	–	2,931	183	5,219	8,333

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Executive directors, non-executive directors, supervisors and chief executive *(Continued)*

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(a) Dr. Gao Dayong, Mr. Liang Hsien Tse Joseph, Dr. Qin Zheng were all appointed as independent non-executive directors of the Company in December 2021.
(b) Dr. Hu Henan was appointed as an independent non-executive director of the Company in November 2022.
(c) Mr. Li Kejian was appointed as the chairman of the board of directors in March 2013.
(d) Mr. Zhu Jun was appointed as the chief executive in October 2020, and was appointed as an executive director in January 2021.
(e) Mr. Lv Shiwen was appointed as a non-executive director in July 2014.
(f) Mr. Zhao Chunsheng was appointed as a non-executive director of the Company in June 2021.
(g) Mr. Sun Xiaolu was appointed as a non-executive director of the Company in November 2018 and resigned on March 16, 2023 due to his other personal commitments.
(h) Mr. Qiu Junkang was appointed as a supervisor of the Company in November 2018.
(i) Ms. Li Cuiqin was appointed as a supervisor of the Company in November 2018.
(j) Mr. Zhu Haorong was appointed as a supervisor of the Company in June 2020.
(k) Mr. Wu Danke was appointed as a non-executive director of the Company in May 2017 and resigned in July 2021.
(l) Mr. Yin Jie was appointed as a non-executive director of the Company in August 2019 and resigned in January 2021.
(m) Mr. Chen Xinxing was appointed as a non-executive director of the Company in January 2021 and resigned in November 2021.
(n) Ms. Yuan Dan was appointed as a supervisor of the Company in May 2017 and resigned in November 2021.
(o) Mr. Ouyang Ping was appointed as a supervisor of the Company in November 2018 and resigned in November 2021.
(p) Mr. Shen Qiang was appointed as a supervisor of the Company in November 2018 and resigned in November 2021.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one chief executive (2021: one chief executive), details of whose remuneration is set out in note 8 above. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, bonuses, allowances, and benefits in kind	**4,686**	3,452
Equity-settled share option expense	**3,506**	4,194
Pension scheme contributions	**466**	321
	8,658	7,967

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2022 **RMB'000**	2021 RMB'000
Nil to HKD1,000,000	**–**	–
HKD1,000,001 to HKD1,500,000	**–**	1
HKD1,500,001 to HKD2,000,000	**–**	1
HKD2,000,001 to HKD2,500,000	**1**	2
HKD2,500,001 to HKD3,000,000	**3**	–
	4	4

In prior years, share options were granted to certain non-director and non-chief executive highest paid employee in respect of their services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSES

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group's principal applicable taxes and tax rates are as follows:

Mainland China

No provision for Mainland China income tax has been provided for at a rate of 25% pursuant to the Corporate Income Tax Law of the PRC and the related regulations (the "CIT Law"), as the Group's PRC entities have no estimated assessable profits. One of the subsidiaries of the Group was recognised as a High and New Technology Enterprise and was entitled to a preferential tax rate of 15% during the year.

United States of America

The subsidiary incorporated in California, the United States is subject to statutory United States federal corporate income tax at a rate of 21%. It was also subject to the state income tax in California during the year. No provisions for federal corporate income tax and the state income tax have been provided as the subsidiary was loss-making during the year.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

10. INCOME TAX EXPENSES *(Continued)*

	2022 RMB'000	2021 RMB'000
Loss before tax	**(118,316)**	(126,497)
Tax at the statutory tax rate (25%)	**(29,579)**	(31,624)
Different tax rates enacted by local authority	**2,574**	1,971
Additional deductible allowance for qualified research and development expenses	**(8,192)**	(4,791)
Expenses not deductible for tax	**429**	264
Tax losses not recognised	**34,768**	34,180
Tax charge at the Group's effective rate	**–**	–

The Group has accumulated tax losses in Mainland China of RMB574,129,000 as at 31 December 2022 (2021: RMB477,847,000), that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has accumulated tax losses in the United States of America of RMB5,243,000 as at 31 December 2022 (2021: RMB3,664,000), that will be carried forward indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

11. DIVIDENDS

No dividend was paid or declared by the Company during the year (2021: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 228,030,438 (2021: 224,377,198) in issue during the year, as adjusted to reflect the rights issue during the year. The weighted average number of ordinary shares in issue before the conversion from a limited liability company into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital upon transformation into a joint stock company in July 2021 (note 25).

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

The calculations of basic and diluted loss per share are based on:

	2022	2021
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation (RMB'000)	**(112,222)**	(101,873)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**228,030,438**	224,377,198
Loss per share (basic and diluted) (RMB per share)	**(0.49)**	(0.45)

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2022						
At 1 January 2022:						
Cost	25,567	981	2,994	9,563	3,265	42,370
Accumulated depreciation	(7,780)	(360)	(774)	(4,340)	–	(13,254)
Net carrying amount	17,787	621	2,220	5,223	3,265	29,116
At 1 January 2022, net of accumulated depreciation	17,787	621	2,220	5,223	3,265	29,116
Additions	3,466	–	1,285	127	1,640	6,518
Depreciation provided during the year	(1,880)	(191)	(594)	(1,888)	–	(4,553)
Transfer	–	–	–	4,110	(4,110)	–
Disposals	(1)	–	–	–	–	(1)
Exchange realignment	–	–	1	–	–	1
At 31 December 2022, net of accumulated depreciation	19,372	430	2,912	7,572	795	31,081
At 31 December 2022:						
Cost	29,032	981	4,280	13,800	795	48,888
Accumulated depreciation	(9,660)	(551)	(1,368)	(6,228)	–	(17,807)
Net carrying amount	19,372	430	2,912	7,572	795	31,081

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2021:						
Cost	25,325	629	1,087	5,904	–	32,945
Accumulated depreciation	(6,944)	(215)	(659)	(5,319)	–	(13,137)
Net carrying amount	18,381	414	428	585	–	19,808
At 1 January 2021, net of accumulated depreciation	18,381	414	428	585	–	19,808
Additions	1,096	352	2,028	3,458	5,226	12,160
Depreciation provided during the year	(1,575)	(145)	(227)	(781)	–	(2,728)
Transfer	–	–	–	1,961	(1,961)	–
Disposals	(115)	–	(9)	–	–	(124)
At 31 December 2021, net of accumulated depreciation	17,787	621	2,220	5,223	3,265	29,116
At 31 December 2021:						
Cost	25,567	981	2,994	9,563	3,265	42,370
Accumulated depreciation	(7,780)	(360)	(774)	(4,340)	–	(13,254)
Net carrying amount	17,787	621	2,220	5,223	3,265	29,116

As at 31 December 2022, there were no pledged property, plant and equipment (2021: Nil).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Leases of properties generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings ***RMB'000***
As at 1 January 2022	**8,977**
Additions	**4,957**
Depreciation charge	**(3,062)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(192)**
At 31 December 2022	**10,680**

	Buildings *RMB'000*
As at 1 January 2021	264
Additions	10,614
Depreciation charge	(1,737)
Termination of a lease	(163)
Exchange realignment	(1)
At 31 December 2021	8,977

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**9,001**	577
New leases	**4,957**	10,527
Accretion of interest recognised during the year	**587**	375
Covid-19-related rent concessions from lessors	**(100)**	–
Payments	**(2,882)**	(2,264)
Termination of a lease	**–**	(214)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(192)**	–
Carrying amount at 31 December	**11,371**	9,001
Analysed into:		
Current portion	**3,432**	2,595
Non-current portion	**7,939**	6,406

The maturity analysis of lease liabilities is disclosed in note 32 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**587**	375
Depreciation charge of right-of-use assets	**3,062**	1,737
Expense relating to short-term leases (included in administrative expenses)	**499**	825
Expense relating to leases of low-value assets (included in administrative expenses)	**37**	55
Total amount recognised in profit or loss	**4,185**	2,992

15. OTHER INTANGIBLE ASSETS

	Software ***RMB'000***
Cost at 1 January 2022, net of accumulated amortisation	**59**
Amortisation provided during the year	**(19)**
At 31 December 2022	**40**
At 31 December 2022:	
Cost	**64**
Accumulated amortisation	**(24)**
Net carrying amount	**40**

	Software *RMB'000*
Cost at 1 January 2021, net of accumulated amortisation	
Additions	64
Amortisation provided during the year	(5)
At 31 December 2021	59
At 31 December 2021:	
Cost	64
Accumulated amortisation	(5)
Net carrying amount	59

16. OTHER NON-CURRENT ASSETS

	2022 ***RMB'000***	2021 *RMB'000*
Prepayments for insurance	**382**	102
Value-added tax recoverable	**6,980**	4,052
Prepayments for long-term assets	**492**	–
	7,854	4,154

17. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**14,418**	10,298
Work in progress	**3,356**	749
Finished goods	**2,186**	745
Goods shipped in transit	**–**	51
	19,960	11,843
Less: Provision for inventories	**(32)**	(147)
	19,928	11,696

18. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**74**	74
Impairment	**(74)**	(74)
	–	–

The Group's trading terms with its customers are mainly on advance payments from the customers, except for some customers, who are of lower credit risk evaluated by senior management, and the Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 RMB'000	2021 RMB'000
Over 3 years	**74**	74

18. TRADE RECEIVABLES *(Continued)*

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	74	74
Impairment losses	–	–
At end of year	74	74

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	As at 31 December 2022		
	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Over 3 years	100.00%*	74	74

	As at 31 December 2021		
	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Over 3 years	100.00%*	74	74

* The Group sold medical products to a third party in 2018, and confirmed a trade receivable of RMB74,000 on 31 December 2018, Management conducted a credit risk assessment on the trade receivable, and believed that the amount was credit-impaired and the trade receivable was not expected to be settled. Therefore, the Group made a provision for impairment of a trade receivable with the expected credit loss rate of 100%. During the year, except for the above trade receivable, the Group had no other trade receivables.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Amounts due from related parties *(note 30)*	**84**	250
Prepayment to suppliers	**13,690**	9,207
Employee reserve fund	**1,672**	769
Deposits	**1,918**	1,429
Listing expenses	**–**	6,868
Others	**845**	1,447
	18,209	19,970
Impairment loss for other receivables	**(351)**	(146)
	17,858	19,824

The movements in provision for impairment of other receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**146**	28
Impairment losses, net	**205**	118
At end of year	**351**	146

20. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**226,422**	157,867
Denominated in:		
RMB	**48,527**	125,270
USD	**2,793**	32,597
HKD	**175,102**	–
Cash and cash equivalents	**226,422**	157,867

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice dates, is as follows:

	2022 **RMB'000**	2021 RMB'000
Within 1 year	**1,763**	314

The trade payables are non-interest-bearing and are normally settled within one to three months.

22. OTHER PAYABLES AND ACCRUALS

	2022 **RMB'000**	2021 RMB'000
Amounts due to related parties *(note 30)*	**104**	63
Payroll and welfare payable	**16,351**	10,961
Other taxes and surcharges payable	**1,977**	1,408
Government grants payable*	**–**	960
Accrued expenses	**18,420**	10,104
Other payables	**423**	203
	37,275	23,699

* Government grants payable represent the payable which has not been recognised in profit or loss because the criteria attached to the grants have not been met by the Group.

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand.

23. DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Government grants	**801**	–

The government grants mainly represent the amount which the Group received from the local governments for compensating expenses arising from research activities and research and development costs incurred for certain projects.

The movements in government grants during the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**–**	461
Grants received during the year	**2,000**	–
Amounts released to profit or loss during the year	**(1,199)**	(461)
At end of year	**801**	–

24. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2022 RMB'000	2021 RMB'000
Advance received from customers:		
Sale of medical consumables and devices	**3,264**	1,681

Contract liabilities include short-term advances received to deliver goods.

25. SHARE CAPITAL

Shares

	2022 RMB'000	2021 RMB'000
Issued and fully paid: 239,110,000 (2021: 228,000,000) ordinary shares	**239,110**	228,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2021	–	–
Issue of ordinary shares upon conversion into a joint stock company *(a)*	228,000,000	228,000
At 31 December 2021 and 1 January 2022	228,000,000	228,000
Issue of shares from initial public offering *(b)*	11,110,000	11,110
At 31 December 2022	239,110,000	239,110

Note:

(a) In July 2021, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date amounting to RMB556,785,000, were converted into 228,000,000 ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium.

(b) On 30 December 2022, the Company successfully completed the IPO on Hong Kong Stock Exchange. In connection with the IPO, 11,110,000 H shares were issued at the offering price of HKD18.90 per share for a total cash consideration, before deducting the underwriting fees and commissions and other estimated listing expenses, of approximately HKD209,979,000 (approximately RMB187,524,000). The nominal value of the share capital, RMB1.00 each, amounting to RMB11,110,000, was credited to the Company's share capital. The excess of the net proceeds converted over the nominal value of the share capital was credited to the Company's share premium.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 106 of the financial statements.

(i) Share premium

The share premium of the Group represents the difference between capital injection and the share capital paid by shareholders.

(ii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries with functional currencies other than the RMB.

27. SHARE OPTION SCHEME

The Group operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include the Company's directors and Group's employees. The eligible participants may have an option to subscribe for the shares of the Company at an exercise price, subject to other terms under the Share Option Scheme.

Certain eligible participants were granted shares in prior years, and during the year, the Company did not grant any new share option (2021: 8,538,521 ordinary shares).

The following share options were outstanding under the Share Option Scheme during the reporting period:

	Weighted average exercise price per share *RMB*	Number of options
At 1 January 2021	0.40	6,949,285
Granted during the year	1.04	8,538,521
Exercised during the year	0.20	(1,646,804)
At 31 December 2021 and 1 January 2022	0.82	13,841,002
Exercised during the year	0.28	(678,004)
At 31 December 2022	0.85	13,162,998

The fair value of equity-settled share options granted in the year ended 31 December 2021 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the key assumptions that the model used.

	2021 *RMB'000*
Expected volatility (%)	45.76%-46.28%
Risk-free interest rate (%)	2.13%-2.83%
Exercise multiple	2.2-2.8
Expected life	5 years
Expected dividend yield	0%

During the year, the Group recognised an expense of equity-settled share option of RMB20,451,000 (2021: RMB17,822,000) during the year ended 31 December 2022.

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets of RMB4,957,000 (2021: RMB10,614,000), and non-cash additions to lease liabilities of RMB4,957,000 (2021: RMB10,527,000), in respect of lease arrangements for properties.

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities

	Lease liabilities *RMB'000*	Accrued listing expense included in other payables *RMB'000*
At 1 January 2021	577	–
Changes from financing cash flow	–	(4,368)
Changes from operating cash flows	–	(7,479)
Increase in listing expenses	–	12,356
Increase in deferred listing expenses	–	6,868
Lease payment	(2,264)	–
New leases	10,527	–
Interest expense	375	–
Termination of a lease	(214)	–
At 31 December 2021 and 1 January 2022	9,001	7,377
Changes from financing cash flow	**–**	**(15,243)**
Changes from operating cash flows	**–**	**(18,441)**
Increase in listing expenses	**–**	**20,602**
Increase in deferred listing expenses	**–**	**20,418**
Lease payment	**(2,882)**	**–**
New leases	**4,957**	**–**
Interest expense	**587**	**–**
Covid-19-related rent concessions from lessors	**(100)**	**–**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(192)**	**–**
At 31 December 2022	**11,371**	**14,713**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Within operating activities	**536**	880
Within financing activities	**2,882**	2,264
	3,418	3,144

29. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Plant and machinery	**2,052**	1,094

30. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name	Relationship with the Company
Ningbo Linfeng Biotechnology Co., Ltd.	Controlled by a Controlling Shareholder
Ningbo Linstant Polymer Materials Co., Ltd.	Controlled by a Controlling Shareholder
Shanghai Jianshi Bio-tech Co., Ltd.	Controlled by a Controlling Shareholder
Ningbo Hangzhou Bay New District Muhe Property Co., Ltd.	Controlled by a Controlling Shareholder
Ningbo Shidi Medical Technology Co., Ltd.	Controlled by a Controlling Shareholder
Ningbo Trando 3D Medical Technology Co., Ltd.	Controlled by a Controlling Shareholder
VitaView MedTech (Zhejiang) Co., Ltd.	Controlled by a Controlling Shareholder
Ningbo Lide Medical Technology Co., Ltd.	Controlled by a Controlling Shareholder
Ningbo Shouquanzhai Pharmaceutical Retail Co., Ltd.	Controlled by a Controlling Shareholder
TD Engineering	An entity controlled by a member of key management personnel of the Company
Mr. Diao Yuepeng	Key management personnel of the Company

(b) The Group had the following transactions with related parties during the year:

	2022 RMB'000	2021 RMB'000
Advances of payroll to a related party		
Shanghai Jianshi Bio-tech Co., Ltd.	–	16
Expenditures of proprietary technologies		
Mr. Diao Yuepeng*	–	50,973

* On 9 April 2021, the Company and Mr. Diao Yuepeng jointly funded the establishment of Beijifeng Biotechnology (Shanghai) Co., Ltd. and Huifeng Biotechnology (Shanghai) Co., Ltd. Mr. Diao Yuepeng separately made capital contributions to the two companies in the form of his own proprietary technologies and completed the transfer of property rights on 9 April 2021.

Based on the development of the two proprietary technologies in the market, management of the Group estimates that the proprietary technologies contributed by Mr. Diao Yuepeng cannot be capitalised, because the requirements under *HKAS 38 Intangible Assets* cannot be fully satisfied. Therefore, management recognised the two proprietary technologies as a research and development expense.

30. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The Group had the following transactions with related parties during the year: *(Continued)*

	2022 **RMB'000**	2021 RMB'000
Advance of a utility bill to a related party		
Ningbo Linfeng Biotechnology Co., Ltd.	**1,019**	486
Purchases of products		
Ningbo Linstant Polymer Materials Co., Ltd.	**290**	14
TD Engineering	**878**	376
Ningbo Trando 3D Medical Technology Co., Ltd.	**–**	59
Ningbo Shouquanzhai Pharmaceutical Retail Co., Ltd.	**–**	22
	1,168	471
Purchases of service		
Ningbo Hangzhou Bay New District Muhe Property Co., Ltd.	**496**	160
Ningbo Shidi Medical Technology Co., Ltd.	**165**	203
	661	363

The pricing of products and services was made according to the published prices and conditions similar to those offered to the major customers of the suppliers.

30. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties:

	2022 **RMB'000**	2021 RMB'000
Prepayments, other receivables and other assets:		
Due from related parties:		
Ningbo Trando 3D Medical Technology Co., Ltd.*	**59**	59
Ningbo Shidi Medical Technology Co., Ltd.*	**17**	–
Ningbo Linstant Polymer Materials Co., Ltd.*	**8**	17
Shanghai Jianshi Bio-tech Co., Ltd.***	**–**	110
TD Engineering*	**–**	64
	84	250
Other payables and accruals:		
Due to related parties:		
Ningbo Linfeng Biotechnology Co., Ltd.***	**87**	56
Ningbo Hangzhou Bay New District Muhe Property Co., Ltd.*	**10**	–
Shanghai Jianshi Bio-tech Co., Ltd.*	**7**	7
	104	63

* The balances are trade in nature.

** The balances are non-trade in nature.

*** The balances include both trade balances and non-trade balances in nature.

All outstanding non-trade balances with related parties were utility payables at the end of the reporting period (2021: the utility payables due to related parties were RMB56,000).

30. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Salaries, bonuses, allowances, and benefits in kind	**8,988**	7,424
Pension scheme contributions	**942**	652
Equity-settled share option expense	**13,542**	8,691
Total compensation paid to key management personnel	**23,472**	16,767

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

(e) Leases with related parties

The Group as a lessee:

The Group has rental contracts with Ningbo Linfeng Biotechnology Co., Ltd., VitaView MedTech (Zhejiang) Co., Ltd. and Ningbo Lide Medical Technology Co., Ltd. At the end of each of the reporting periods, the Group had total lease liabilities with Ningbo Linfeng Biotechnology Co., Ltd. under non-cancellable leases falling due as follows:

	2022 RMB'000	2021 RMB'000
Short-term		
Rental fee	**124**	343

	2022 RMB'000	2021 RMB'000
Long-term		
Lease liabilities – current	**1,127**	454
Lease liabilities – non-current	**5,125**	1,543
	6,252	1,997

At the end of the reporting period, the Group's right-of-use assets relating to such rental contracts amounted to RMB6,123,000 (2021: RMB1,939,000).

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at amortised cost *RMB'000*
Financial assets included in prepayments, other receivables and other assets	2,412
Cash and cash equivalents	226,422
	228,834

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	1,763
Financial liabilities included in other payables and accruals	18,947
	20,710

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

2021

Financial assets

	Financial assets at amortized cost *RMB'000*
Financial assets included in prepayments, other receivables and other assets	2,730
Cash and cash equivalents	157,867
	160,597

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	314
Financial liabilities included in other payables and accruals	9,052
	9,366

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity to a reasonably possible change in USD and HKD exchange rates, with all other variables held constant, of the Group's loss before tax (arising from USD and HKD denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in USD/HKD *%*	Increase/ (decrease) in loss before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
31 December 2022			
If RMB weakens against USD	5	124	124
If RMB strengthens against USD	(5)	(124)	(124)
31 December 2022			
If RMB weakens against HKD	5	8,755	8,755
If RMB strengthens against HKD	(5)	(8,755)	(8,755)
31 December 2021			
If RMB weakens against USD	5	1,624	1,624
If RMB strengthens against USD	(5)	(1,624)	(1,624)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, financial assets included in prepayments, other receivables and other assets, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's other receivables are widely dispersed in different sectors and industries.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables	–	–	–	74	74
Financial assets included in prepayments, deposits and other receivables					
– Normal*	2,412	–	–	–	2,412
Cash and cash equivalents					
– Not yet past due	226,422	–	–	–	226,422
Total	228,834	–	–	74	228,908

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables	–	–	–	74	74
Financial assets included in prepayments, deposits and other receivables					
– Normal*	2,730	–	–	–	2,730
Cash and cash equivalents					
– Not yet past due	157,867	–	–	–	157,867
Total	160,597	–	–	74	160,671

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2022				
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to less than 12 months** *RMB'000*	**1 to 5 years** *RMB'000*	**Total** *RMB'000*
Trade payables	**1,763**	**–**	**–**	**–**	**1,763**
Financial liabilities in other payables and accruals	**18,947**	**–**	**–**	**–**	**18,947**
Lease liabilities	**–**	**714**	**3,302**	**8,478**	**12,494**
	20,710	**714**	**3,302**	**8,478**	**33,204**

	As at 31 December 2021				
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Total *RMB'000*
Trade payables	314	–	–	–	314
Financial liabilities in other payables and accruals	9,052	–	–	–	9,052
Lease liabilities	–	714	2,379	6,972	10,065
	9,366	714	2,379	6,972	19,431

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

33. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the end of the reporting period that require additional disclosure or adjustments.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 *RMB'000*	2021 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**22,495**	21,923
Right-of-use assets	**1,757**	2,960
Investments in subsidiaries	**416,096**	415,876
Other intangible assets	**40**	59
Other non-current assets	**6,706**	4,069
Total non-current assets	**447,094**	444,887
CURRENT ASSETS		
Inventories	**5,321**	5,866
Prepayments, other receivables and other assets	**24,799**	14,234
Cash and cash equivalents	**181,686**	84,977
Total current assets	**211,806**	105,077
CURRENT LIABILITIES		
Trade payables	**512**	38
Other payables and accruals	**23,670**	15,052
Lease liabilities	**1,274**	1,111
Total current liabilities	**25,456**	16,201
NET CURRENT ASSETS	**186,350**	88,876
TOTAL ASSETS LESS CURRENT LIABILITIES	**633,444**	533,763
NON-CURRENT LIABILITIES		
Lease liabilities	**630**	1,596
Total non-current liabilities	**630**	1,596
NET ASSETS	**632,814**	532,167
EQUITY		
Share capital	**239,110**	228,000
Reserves	**393,704**	304,167
Total equity	**632,814**	532,167

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium *RMB'000*	Share option reserve *RMB'000*	Accumulated loss *RMB'000*	Total *RMB'000*
Balance at 1 January 2021	390,605	139,617	(216,513)	313,709
Total comprehensive loss for the year	–	–	(48,547)	(48,547)
Capital contribution by shareholders	195,629	–	–	195,629
Equity-settled share option expense	–	11,824	–	11,824
Conversion into a joint stock company	(168,448)	–	–	(168,448)
At 31 December 2021 and 1 January 2022	417,786	151,441	(265,060)	304,167
Total comprehensive loss for the year	–	–	(71,732)	(71,732)
Issue of shares from the initial public offering	176,414	–	–	176,414
Share issue expenses	(27,286)	–	–	(27,286)
Equity-settled share option expense	–	12,141	–	12,141
As at 31 December 2022	566,914	163,582	(336,792)	393,704

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

"AGM", "Annual General Meeting"	the forthcoming 2022 annual general meeting of the Company to be held on Friday, June 16, 2023
"Articles" or "Articles of Association"	the articles of association of the Company currently in force
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"Board of Supervisors"	the board of Supervisors
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this annual report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "Cryofocus"	Cryofocus Medtech (Shanghai) Co., Ltd. (康灃生物科技(上海)股份有限公司), a joint stock company incorporated in the PRC with limited liability on July 21, 2021, or, where the context requires (as the case may be), its predecessor, Cryofocus Medtech (Shanghai) Company Limited (康灃生物科技(上海)有限公司), a limited liability company established in the PRC on March 15, 2013
"Concert Parties"	Ms. Li and Mr. Lv, and "Concert Party" means any one of them
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholders" or "Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and in this annual report, refers to the Concert Parties, Shanghai Shidi, Ningbo Linfeng, Ningbo Maishang, Ningbo Hongyingkang and Ningbo Kangrui, and for further details, see the section headed "Relationship with our Controlling Shareholders" in the Prospectus
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"FDA"	the United States Food and Drug Administration, a federal agency of the Department of Health and Human Services

"Group", "our Group", "our", "we", or "us"	the Company and its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"H Share(s)"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars", "HK dollars", "HKD" or "HK$"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	December 30, 2022, on which the H Shares were listed and dealings in the H Shares first commenced 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
"Main Board"	the stock market (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
"Mr. Lv"	Mr. LV Shiwen (呂世文), a non-executive Director and one of our Controlling Shareholders
"Ms. Li"	Ms. LI Hui (李輝), one of our Controlling Shareholders
"Ningbo Hongyingkang"	Ningbo Hongyingkang Enterprise Management Partnership (Limited Partnership) (寧波弘盈康企業管理合夥企業(有限合夥)), one of our employee incentive platforms and one of our Controlling Shareholders
"Ningbo Kangrui"	Ningbo Kangrui Investment Management Partnership (Limited Partnership) (寧波康銳投資管理合夥企業(有限合夥)), one of our employee incentive platforms and one of our Controlling Shareholders
"Ningbo Linfeng"	Ningbo Linfeng Biotechnology Co., Ltd. (寧波麟灃生物科技有限公司), a limited company established in the PRC which is a non-wholly owned subsidiary of Shanghai Shidi and one of our Controlling Shareholders
"Ningbo Maishang"	Ningbo Maishang Investment L.P. (Limited Partnership) (寧波脈尚投資合夥企業(有限合夥)), one of our employee incentive platforms and one of our Controlling Shareholders

"Ningbo SensCure"	Ningbo SensCure Biotechnology Co., Ltd. (寧波勝杰康生物科技有限公司), a limited company established in the PRC and our wholly-owned subsidiary
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局), successor to the China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, which was last amended and became effective on October 26, 2018, as amended, supplemented or otherwise modified from time to time
"Prospectus"	the prospectus of the Company dated December 16, 2022
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	for the year ended December 31, 2022
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Shidi"	Shanghai Shidi Industrial Development Co., Ltd. (上海仕地實業發展有限公司) (formerly known as Shanghai Shidi Investment Management Co., Ltd. (上海仕地投資管理有限公司)), a limited company established in the PRC and wholly owned by Ms. Li and one of our Controlling Shareholders
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising Unlisted 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 thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	supervisor(s) of the Company
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Unlisted Share(s)"	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each and are not listed on any stock exchange
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent

Note: The English translation of Chinese names of entities included in this annual report is prepared for identification purpose only.