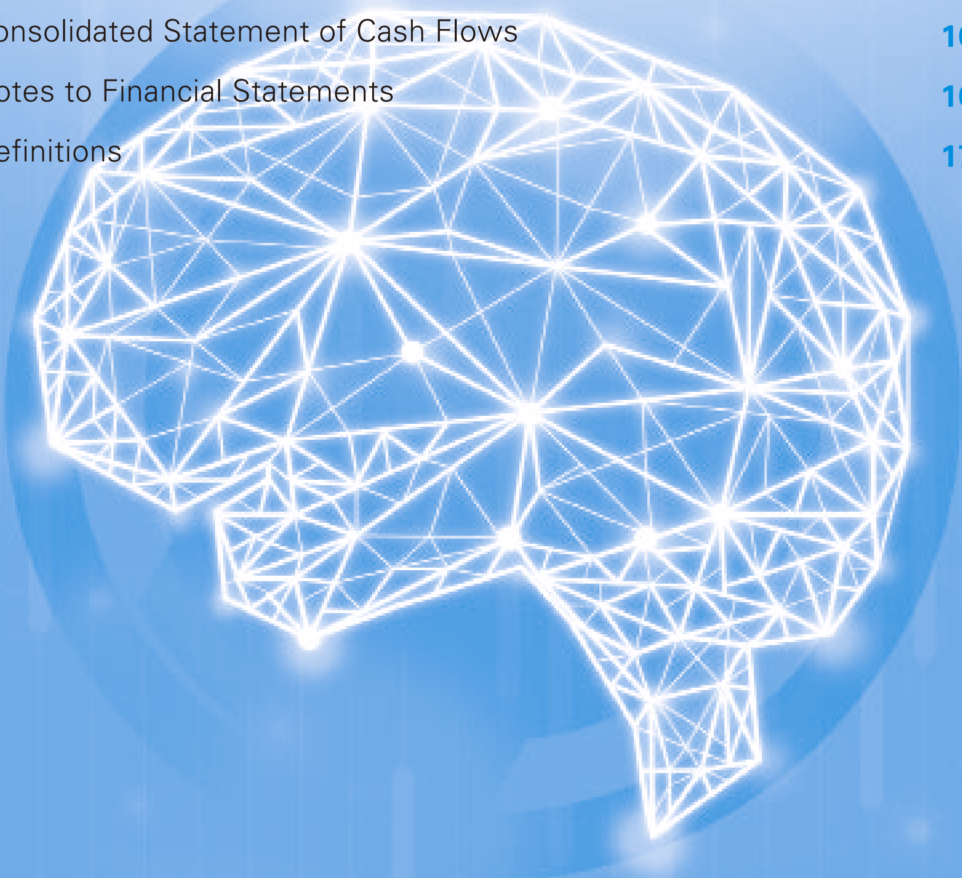
上海心瑋醫療科技股份有限公司
Shanghai HeartCare Medical Technology Corporation Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
(於中華人民共和國註冊成立的股份有限公司)

Stock Code 股份代號：6609

2023 Annual Report 年度報告

CONTENTS



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Guohui *(Chairman, Chief executive officer)*
Ms. ZHANG Kun *(Deputy general manager)*
Mr. WEI Jiawei *(Deputy general manager)*

Non-executive Directors

Mr. DING Kui
Mr. CHEN Shaoxiong
Mr. CHEN Gang *(appointed on November 8, 2023)*

Independent Non-executive Directors

Mr. GUO Shaomu
Mr. FENG Xiangqian
Mr. GONG Ping

AUDIT COMMITTEE

Mr. GONG Ping *(Chairman)*
Mr. FENG Xiangqian
Mr. DING Kui

REMUNERATION COMMITTEE

Mr. GUO Shaomu *(Chairman)*
Mr. GONG Ping
Mr. WANG Guohui

NOMINATION COMMITTEE

Mr. FENG Xiangqian *(Chairman)*
Mr. GUO Shaomu
Mr. WANG Guohui

SUPERVISORS

Mr. JIANG Xinbei
Ms. JIANG Xue
Mr. XING Tingyu *(resigned on November 8, 2023)*
Mr. XUE Zongyu *(appointed on November 8, 2023)*

JOINT COMPANY SECRETARIES

Mr. ZHANG Han
Ms. KWOK Siu Ying Sarah *(ACG, HKACG)*

AUTHORIZED REPRESENTATIVES

Mr. WANG Guohui
Mr. ZHANG Han
Alternate to authorized representatives
Ms. KWOK Siu Ying Sarah

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC

Floor 1 and 3, Building 38
No. 356, Zhengbo Road
Lingang New District
Pilot Free Trade Zone
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

Corporate Information (Continued)

LEGAL ADVISERS

As to Hong Kong and United States laws:
O'Melveny & Myers
31/F, AIA Central
1 Connaught Road
Central
Hong Kong
PRC

As to PRC law:
ALLBRIGHT LAW OFFICES
9, 11, 12/F, Shanghai Tower
No. 501, Yincheng Middle Road
Pudong New Area
Shanghai
PRC

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
PRC

PRINCIPAL BANK

China Merchants Bank Co., Ltd.
Shanghai Zhangjiang Sub-Branch
1F, No. 88, Keyuan Road
Shanghai
PRC

STOCK CODE

6609

COMPANY'S WEBSITE

www.heartcare.com.cn

LISTING DATE

August 20, 2021

AUDITOR

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

Financial Summary

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**232,344**	183,032	90,089	14,562	—
Gross profit	**163,759**	124,333	54,950	7,087	—
LOSS BEFORE TAX	**(102,920)**	(201,249)	(197,906)	(216,183)	(75,498)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(94,012)**	(200,384)	(197,906)	(216,183)	(75,498)
Loss and total comprehensive loss attributable to:					
Owners of the parent	**(94,012)**	(200,384)	(194,225)	(213,664)	(75,498)
Non-controlling interests	**—**	—	(3,681)	(2,519)	—
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (RMB)	**(2.47)**	(5.24)	(5.82)	(9.78)	(4.02)

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	**195,853**	180,537	172,324	111,849	27,014
Total current assets	**1,005,392**	1,132,022	1,332,324	661,782	64,269
Total current liabilities	**59,782**	67,506	55,388	36,612	4,313
Total non-current liabilities	**65,819**	79,576	76,709	45,984	5,897
Non-controlling interests	**—**	—	—	9,667	—
Total equity	**1,075,644**	1,165,477	1,372,551	691,035	81,073

Chairman's Statement

Dear Shareholders,

On behalf of the Board of HeartCare Medical, I am pleased to present to you the annual report of the Group for the year ended 31 December 2023.

In 2023, the Company recorded revenue of RMB232.3 million, with neuro-intervention business maintaining the growth trend, and net loss decreased to RMB94.0 million, representing a year-on-year decrease of 53.1% as compared to 2022, demonstrating the gradually evident effects of cost control and efficiency enhancement measures.

The year of 2023 marks the third year of the Company's commercialization. Over the past three years, we have obtained NMPA registration certificates for 28 products, which are used in over 1,500 hospitals across the country. Several of our neuro-interventional products, including thrombectomy devices, distal access catheters and LAA Occluder, have won bids in alliance VBPs (Volume-base Procurement) as the top-ranked in their respective groups. Facing the fast changes in industry policies and the market environment, the management, based on our insights into the domestic medical market, reassessed the impact of industry policies such as VBP and DRG (Diagnosis-related Group) on clinical needs, promoting the Company's focus on neuro-interventional treatment devices and product upgrades.

In 2023, the Company's revenue from treatment devices reached nearly RMB100 million, representing a year-on-year increase of 62.9%, and a rise in the proportion to the total revenue from 33.0% in 2022 to 42.3%, making it the primary driver of the Company's revenue growth. Addressing the large number of AIS (Acute Ischemic Stroke) patients in China, the Company kicked off the "Large and Distal Action", which involves a comprehensive upgrade of existing aspiration catheters and thrombectomy devices products to better meet the needs in emergency thrombectomy for LVO (Large Vessel Occlusion) and MeVO (Medium Vessel Occlusion). In the following 24 months, the Company expects to launch at least five more major treatment devices, including embolization assisting stent and flow diverter device for aneurysm treatment, drug-eluting balloon, carotid artery stent and intracranial drug stent for ICAS (Intracranial Atherosclerotic Stenosis) treatment, to meet the growing demand for stroke treatment in the aging Chinese market.

The Company also achieved breakthroughs in overseas market in 2023. Three products, namely balloon guiding catheter, distal access catheter, and microcatheter, obtained FDA certification, while thrombectomy device received CE MDR (Medical Device Regulation) certification. The Company has also been working on product sales and registration in over 10 countries and regions, expanding sales channels, and establishing more presences in overseas market.

Over the past year, the Company has implemented various management measures to improve operational efficiency, leading to a gradual emergence of cost advantage. In 2023, the Company's gross profit margin increased to 70.5%, and the expense rate of the selling and administrative expenses decreased to 66.2%, representing a year-on-year decrease of 25.6 percentage points.

Chairman's Statement (Continued)

Looking to the future, we will adhere to the corporate strategy of business focus and cost control to increase efficiency. We will continue to increase the revenue contribution of treatment devices, consistently optimize our pipeline candidates, and improve operational management efficiency.

Finally, we would like to express sincere gratitude to our shareholders, customers, suppliers as well as our employees and all those who care about HeartCare Medical. Thank you once again for your continued support and trust for HeartCare Medical.

Mr. WANG Guo Hui
Chairman and Chief Executive Officer

Management Discussion and Analysis

BUSINESS REVIEW

Overview

We are an innovative medical device company committed to improving the accessibility of innovative medical technologies and protecting lives and health. We have established a pioneering leadership position in China's neuro-interventional market and successfully provided the first domestic one-stop solution for stroke treatment and prevention. Leveraging our advantage in R&D, manufacturing and commercialization, we strive to fulfill the unmet needs of clinicians and patients in the fields with tremendous opportunities, redefine the standard of care, reduce mortality rate, and improve prognosis by continuously launching innovative medical devices.

In the fiscal year 2023, the Company's revenue increased to RMB232.3 million, representing a year-on-year increase of 26.9%, and its loss before tax narrowed to RMB102.9 million, representing a year-on-year decrease of 48.9%. As the business scale expands and the effects of cost control and efficiency enhancement measures become evident, the Company's gross profit margin increased by 2.6 percentage points to 70.5%, and the expense rate of the selling and distribution expenses and administrative expenses decreased to 66.2% (2022: 91.8%).

In 2023, in order to adapt to the fast-changing market environment and the advancement of volume-base procurement, the Company continuously promotes the upgrade of its neuro-intervention business toward the focus on treatment devices. Neuro-intervention treatment devices such as thrombectomy devices and aspiration catheters, dilatation balloons, embolization protection system and embolic coils etc. contributed 42.3% of the sales (2022: 33.0%), and the revenue increased by 62.9% to RMB98.2 million year-on-year. Neuro-intervention access devices and other products increased 9.3% year-on-year to RMB134.1 million.

In 2023, the Company's R&D costs stood at RMB123.8 million to support the diversified candidates of neuro-intervention treatment devices. In the following 24 months, the Company expects to launch at least five major neuro-interventional treatment devices, including **drug-eluting balloon** (NMPA innovative device qualification), **self-expanding drug stent** and **carotid artery stent** for the treatment of stenosis, **aneurysm embolization assisting stent** (NMPA innovative device qualification) and **flow diverter device** for the treatment of hemorrhagic stroke. Furthermore, the Company aims to enhance the competitiveness of key thrombectomy devices (**aspiration catheter** and **thrombectomy stent**) and one-stop medical device solutions for different subtypes of acute ischemic stroke, to meet the growing demand for stroke treatment in the aging Chinese market.

In the overseas market, the Company has obtained CE or FDA certification of the thrombectomy device, balloon guiding catheter, distal access catheter and microcatheter, as well as completed registration and booted the commercialization in Thailand and other countries or regions. Up to now, the Company has been working on product registrations in ten other countries or regions, expanding sales channels, and laying the foundation for achieving long-term goals in overseas sales.

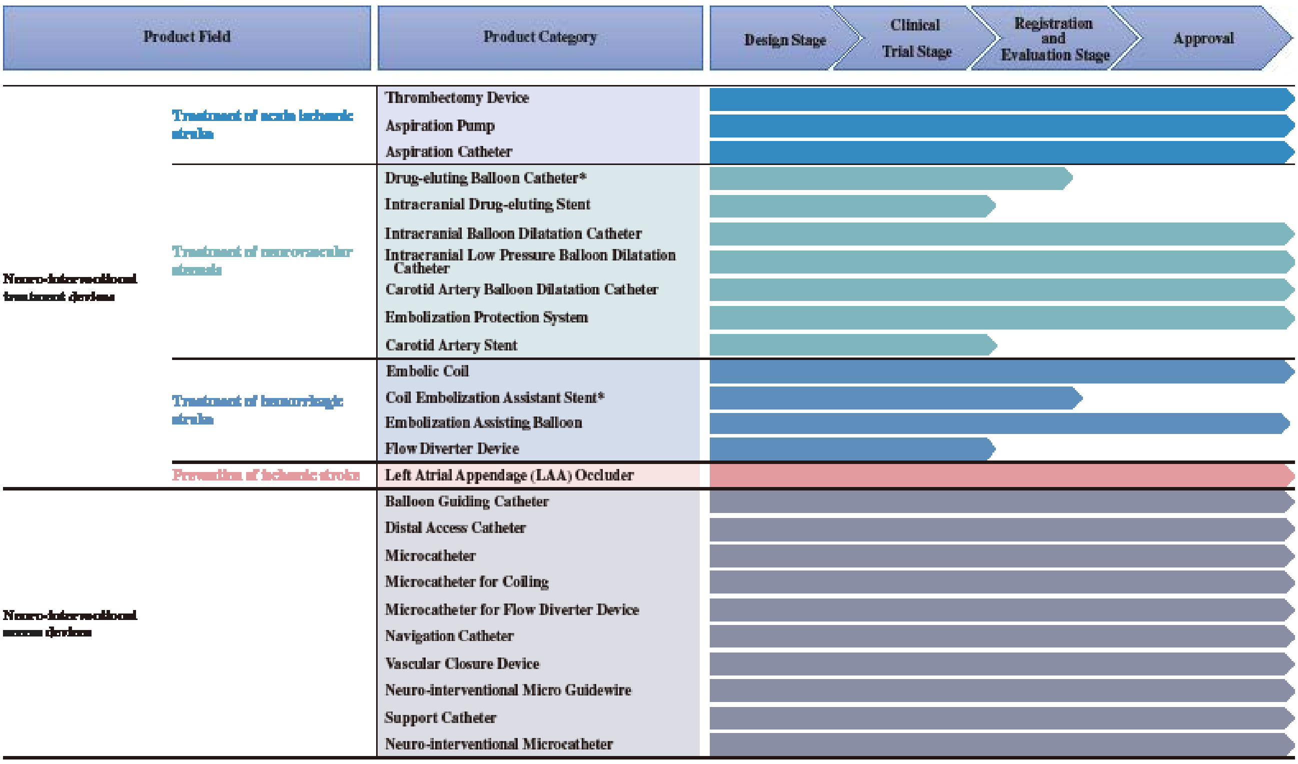
Management Discussion and Analysis (Continued)

Products and Pipeline

As of the date of this report, we have 28 device products approved by NMPA, three device products approved by FDA and one product obtained CE Mark.

The following diagram summarizes the development status of our neuro-interventional pipeline including approved products and broad product pipelines in the late-stage of R&D covering acute ischemic stroke and neurovascular stenosis treatment, hemorrhagic stroke treatment, ischemic stroke prevention, and interventional access as of the date of this report:

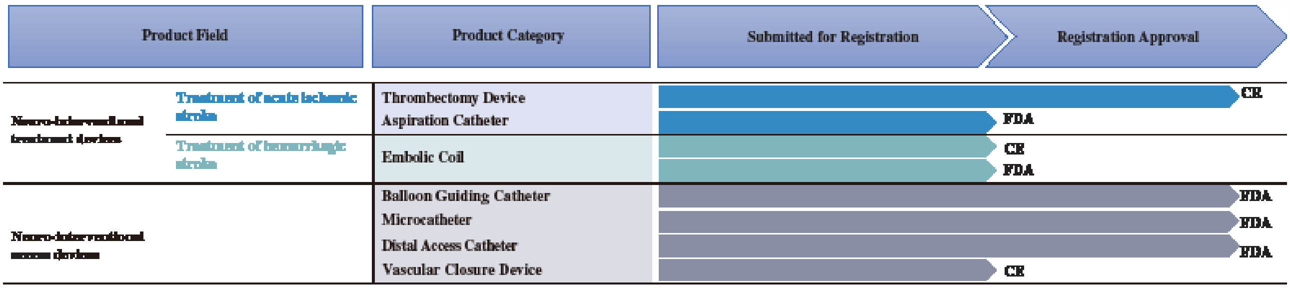
NMPA Pipeline



* *Eligible for NMPA Green Channel*

Management Discussion and Analysis (Continued)

FDA and Conformité Européenne (CE) Pipeline



Our Key Neuro-interventional Products and Product Candidates

Ischemic stroke thrombectomy devices

Core Product — Captor® Thrombectomy Device ("Captor") is the first domestic thrombectomy stent retriever with multi-markers approved by NMPA. Sales in China started in December 2020. As of the date of this report, we have upgraded Captor by adding more product models with stents of varying lengths and diameters. Depending on the occluded blood vessel diameter and thrombus size, physicians may choose the stent retriever with the proper length and size, out of a selection of nine product models. We are evaluating the opportunities for upgrading Captor for indication expansion. Further, we are evaluating the opportunities to market Captor overseas and may apply for its registration in the United States subject to the results of our evaluation. This product has obtained CE Mark during the Reporting Period.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP NEW INDICATION AND SPECIFICATIONS AND EXPAND OVERSEAS MARKET FOR OUR CAPTOR SUCCESSFULLY.

Aspiration Catheter is used in the aspiration thrombectomy procedure to retrieve the thrombus and restore blood flow in occluded cerebral vessels for patients with acute ischemic stroke with large vessel occlusion ("AIS-LVO"). Aspiration thrombectomy can be performed not only on a stand-alone basis, but also together with stent retrieving thrombectomy in accordance with the patient's symptoms. We have obtained the NMPA approval for our aspiration catheter and sales commenced in 2022.

Besides Captor and Aspiration Catheter, our **Aspiration Pump** for the treatment of ischemic stroke has obtained NMPA approval, and we had a product portfolio covering stents and aspiration thrombectomy procedure for the emergency treatment of different subtypes of acute ischemic stroke.

Intracranial Stenosis Treatment Devices

Intracranial Drug-eluting Balloon Catheter ("Intracranial DEB") is designed to deliver an anti-proliferative drug to the lesion to prevent fibrosis and vessel occlusion. We initiated a registration clinical trial for intracranial DEB in May 2020. As of the date of this report, our intracranial DEB has completed the clinical trial, and was in NMPA registration stage. This product has obtained green channels for NMPA review.

Management Discussion and Analysis (Continued)

Embolization Protection System is used in interventional procedures for peripheral, coronary artery and carotid artery to capture and remove debris that dislodges during the procedures. It can help prevent the debris from blocking smaller vessels, which may result in procedural complications. We have obtained the NMPA approval for our embolization protection system.

Hemorrhagic Stroke Treatment Devices

Coil Embolization Assistant Stent is used in aneurysm coiling procedures for patients with aneurysm. It is designed for bridging the neck of aneurysm to support the coils placed in the aneurysm. As of the date of this report, clinical trials of our coil embolization assistant stent was completed and we have submitted the application for NMPA registration. It has obtained green channels for NMPA review.

Flow Diverter Device is a neurovascular stent placed in the blood vessel of an aneurysm, which can divert blood flow away from the aneurysm. Over time, blood flow into the aneurysm may slow down and the aneurysm may shrink, thus healing the blood vessel. As at the date of this report, the patient enrollment for clinical trials of our flow diverter devices was completed.

Ischemic Stroke Prevention Devices

Core Product — LAA Occluder is a stroke prevention device designed to be permanently implanted at the opening of the LAA of patients with non-valvular atrial fibrillation (AF) to prevent thrombus escaping from the LAA, thus causing embolization. LAA Occlusion is a one-time surgical therapy with proven efficacy, in particular for the patient who is not suitable for long-term oral anticoagulation therapy and has a higher risk for bleeding complications. We have obtained the NMPA approval and commenced sales in 2022.

Vascular Access Devices

We are also developing various vascular access devices for use in interventional procedures. As of the date of this report, we have obtained NMPA approvals for **Distal Access Catheter, Microcatheter, Balloon Guiding Catheter, Vascular Closure Device, Support Catheter, Neuro-Interventional Microcatheter, Micro Guidewire, Microcatheter for Coiling, Microcatheter for Flow Diverter Device** and **Navigation Catheter**.

In addition, we have several other product candidates in the design stage, which further supplement our full-set product portfolio for the treatment and prevention of stroke. For details of our products and product candidates, please refer to the Prospectus.

Research and Development

The Company's product R&D aims to build a high-quality product portfolio with market competitiveness. Capitalizing on existing R&D platforms, certain products we developed are qualified for NMPA priority review. Meanwhile, we formed a multi-level product matrix through continuously iterating products approved for marketing, so as to meet the clinical needs.

As of the date of this report, we had 195 registered patents, including 87 invention patents, 96 utility models and 12 industrial design patents. We also had 135 pending patents applications, including 118 invention patents and 17 utility models.

Management Discussion and Analysis (Continued)

Manufacturing

In terms of manufacturing, we continuously improve our product quality and competitive advantage based on a stable and efficient supply chain.

As of the date of this report, we have three production facilities in Shanghai Lingang New Area, Shanghai Zhangjiang and Nanjing Jiangbei New Area, which can ensure a sufficient supply of products.

Commercialization

As of the date of this report, we have established an extensive distribution network covering over 1,500 hospitals across all provinces nationwide other than Hong Kong, Macao and Taiwan.

Meanwhile, academic exchange platforms elaborately built by us contribute to our brand image and influence in the market through diversified channels and digital media, laying the foundation for long-term and stable revenue growth.

Future and Outlook

We aim to become the leader in the neuro-interventional medical device market in China, and to develop into a competitive domestic device company in several innovative medical device markets within China.

We plan to implement the following strategies to achieve this goal:

- improve our brand recognition as a comprehensive neuro-interventional device solution provider in the market, expand sales of our commercialized neuro-interventional devices and rapidly advance our product candidates into commercialization;

- further enhance our manufacturing capabilities to ensure reliability of our product supply; and

- promote the development of innovative medical devices in emerging therapeutic fields with high potential growth market to form a second business unit with a competitive commercialized product portfolio in addition to our neuro-interventional business.

The Company also proposed to apply to the relevant PRC authorities for the issuance of A shares to be listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange, please refer to the Company's announcements dated October 10, 2022, November 9, 2022 and October 16, 2023 and circulars dated October 24, 2022 and October 20, 2023 for further details.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this report.

Revenue

For the year ended December 31, 2023, all our revenue was generated from the sales of our commercialized neuro-interventional devices.

Revenue increased by 26.9% from RMB183.0 million for the year ended December 31, 2022 to RMB232.3 million for the year ended December 31, 2023. The increase in revenue was mostly attributable to sales growth of treatment devices mainly including thrombectomy devices, dilatation balloons and embolic coils. Meanwhile, we boosted overseas revenue after a number of product registrations approved by local bureau.

Cost of Sales

Cost of sales increased from RMB58.7 million for the year ended December 31, 2022 to RMB68.6 million for the year ended December 31, 2023, which was in line with the increase in our revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB124.3 million for the year ended December 31, 2022 to RMB163.8 million for the year ended December 31, 2023. Gross profit margin is calculated as gross profit divided by revenue. Our gross profit margin increased from 67.9% for the year ended December 31, 2022 to 70.5% for the year ended December 31, 2023, primarily attributed to increased manufacture scale, and the increasingly mature manufacturing techniques.

Other Income and Gains

Other income and gains decreased from RMB35.3 million for the year ended December 31, 2022, to RMB26.1 million for the year ended December 31, 2023, primarily attributable to (i) the decrease in bank interest income and (ii) the decrease in foreign exchange gains, net.

Management Discussion and Analysis (Continued)

Research and Development Costs

Research and development costs decreased from RMB153.7 million for the year ended December 31, 2022, to RMB123.8 million for the year ended December 31, 2023, primarily due to the decrease in the number of our pipeline candidates and the reduction of R&D team.

The following table sets forth a breakdown of our research and development costs:

	Year ended December 31, 2023		Year ended December 31, 2022	
	RMB million	%	RMB million	%
Staff Costs	43.9	35.5	51.9	33.8
Depreciation	8.2	6.6	9.4	6.1
Third party contracting costs	35.9	29.0	51.7	33.6
Raw materials and consumables	28.0	22.6	29.9	19.5
Other	7.8	6.3	10.8	7.0
Total	123.8	100.0	153.7	100.0

Administrative Expenses

Administrative expenses increased from RMB71.5 million for the year ended December 31, 2022 to RMB74.6 million for the year ended December 31, 2023, primarily attributed to an increase in staff costs.

Selling and Distribution Expenses

Selling and distribution expenses decreased from RMB96.5 million for the year ended December 31, 2022 to RMB79.2 million for the year ended December 31, 2023, primarily attributed to reducing in staff costs and market development costs.

Other Expenses

For the year ended December 31, 2023, we incurred other expenses of RMB12.9 million, which was primarily in relation to the impairment of inventories.

Finance Costs

Finance costs increased from RMB2.1 million for the year ended December 31, 2022, to RMB2.2 million for the year ended December 31, 2023.

Management Discussion and Analysis (Continued)

Borrowings and Gearing Ratio

The Group has not incurred any outstanding borrowing as at December 31, 2023, compared to RMB5 million as at December 31, 2022. The gearing ratio (calculated by dividing the sum of borrowings and lease liabilities by total equity) of the Group as at December 31, 2023 was 3.4%, compared to 4.3% for the year ended December 31, 2022.

Liquidity and Financial Resources

We primarily rely on capital contributions by our shareholders, equity financing as the major sources of liquidity as well as cash generated from our sales revenue of existing commercialized medical device products. As part of our treasury policy, our management monitors and maintains a level of cash and bank balances deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more cash from our operating activities, through increasing sales revenue of the existing commercialized products and by launching new products.

Our cash and bank balances as of December 31, 2023 were RMB622.2 million, representing a decrease of RMB247.9 million compared to RMB870.1 million as of December 31, 2022.

Our net current assets as of December 31, 2023 were RMB945.6 million, as compared to RMB1,064.5 million as of December 31, 2022.

Capital Expenditure

For the year ended December 31, 2023, our total capital expenditure amounted to approximately RMB49.3 million as compared to a capital expenditure of RMB37.2 million for the year ended December 31, 2022. The capital expenditure was primarily used in the acquisition of a land-use-right.

Contingent Liabilities

As of December 31, 2023, the Group did not have any material contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

On December 11, 2023, the Company and Mr. Xing Tingyu, Mr. Li Meng, Value Magnet Limited and Shanghai Shenji Zhixin Enterprise Management Consulting Partnership (Limited Partnership) (collectively, the "Purchasers") entered into an equity transfer agreement pursuant to which the Company conditionally agreed to sell its entire equity interest in Shanghai Shenji Medical Technology Co., Ltd. (上海神璣醫療科技有限公司, "Shenji Medical") to the Purchasers for an aggregate consideration of RMB9.0 million. Upon completion, the Company will cease to have any interest in Shenji Medical and it will cease to be a subsidiary of the Company. Value Magnet Limited is controlled by Mr. Ding Kui (a director of the Company) and Ms. Li Jun (the spouse of Mr. Ding Kui) and therefore an associate of a connected person.

Management Discussion and Analysis (Continued)

Since its inception, Shenji Medical has initiated research and development on potential robotics medical devices. As of the date of the equity transfer agreement, none of the medical devices under development has advanced to late stage due to various unforeseen or unexpected difficulties that were encounter during the development process. The Group would have to commit significant resources to bring these medical devices into commercialization and there is no assurance that these products could be successfully developed and commercialized. Continued investment into Shenji Medical and its research and development effort would also further divert resources away from the Group's core business of neuro-intervention medical devices. Therefore the Board considers that it is suitable to dispose of Shenji Medical by way of a management buy-out by existing employees backed by experienced investor in the biotechnology sector.

The Company will continue to enable internal resource allocated to the core business of the Group, focusing on the development and commercialization of medical devices in the field of neuro-intervention. The Group will continue to work on the pipeline products set out in this report, and does not expect that the disposal of Shenji Medical will have a material adverse impact on the business operations and financial position of the Group.

For further details, please refer to the Company's announcement dated December 11, 2023.

Saved as disclosed above, the Group did not have material acquisitions and disposals of subsidiaries, associates and joint ventures, or have any significant investment accounting for more than 5% of the Group's total assets for the year ended December 31, 2023.

Pledge of Assets

As of December 31, 2023, the Group had no pledge of assets.

Foreign Exchange Exposure

We are exposed to foreign currency risk mainly arising from cash at bank denominated in 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

We had not authorized any plan for the material investments or acquisition of capital assets as of the date of this report.

HUMAN RESOURCES

As of December 31, 2023, we had 368 full-time employees in total.

The remuneration policy for the Directors and senior management is based on their responsibility and general market conditions. Any discretionary and performance bonus are linked to the general performance of the Group and the individual performances of the Directors and senior management.

Management Discussion and Analysis (Continued)

In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries and stock incentive plans to our employees especially key employees. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations and employee retention.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after the Reporting Period and up to the date of this report.

Management Discussion and Analysis (Continued)

USE OF PROCEEDS FROM LISTING

The H Shares of the Company were first listed on the Main Board of the Stock Exchange on August 20, 2021. Net proceeds received from our Global Offering aggregated approximately HK$1,014.8 million. Reference is made to the Company's Prospectus dated August 10, 2021.

Details of the planned applications of net proceeds from the Listing were disclosed in the Prospectus. As at December 31, 2023, the utilisation of the net proceeds from the Global Offering are as follows:

Use of proceeds	Planned applications (HK$ million)	Actual utilisation as at December 31, 2022 (HK$ million)	Utilisation during the Reporting Period (HK$ million)	Actual utilisation as at December 31, 2023 (HK$ million)	Balance as at December 31, 2023 (HK$ million)	Expected timeline for full utilisation of the unutilised net proceeds
R&D, manufacturing and marketing of our core products	459.7	187.7	79.6	267.3	192.4	December 31, 2025
R&D, product registration, manufacturing and marketing of other product candidates in our pipeline	404.9	160.3	62.8	223.1	181.8	December 31, 2025
Improvements to our R&D capacities and our continued expansion of product portfolio through internal research	48.7	48.7	—	48.7	—	—
Working capital and general corporate purposes	101.5	101.5	—	101.5	—	—
Total	**1,014.8**	**498.2**	**142.4**	**640.6**	**374.2**	

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. WANG Guohui (王國輝), aged 46, is one of our single largest Shareholders and founders. As our Director and chief executive officer since the establishment of our Company in June 2016, he was redesignated as our executive Director and appointed as our chairman of the Board on November 23, 2020. He is primarily responsible for the overall management of our Company.

Mr. Wang has nearly 20 years' experience in the fields of R&D and commercialization of medical devices. Prior to the founding of our Company, he worked at Shanghai MicroPort Medical (Group) Co., Ltd. (上海微創醫療器械(集團)有限公司, the "MicroPort"), a company primarily engaged in the R&D, manufacturing and marketing of medical devices and a subsidiary of MicroPort Scientific Corporation (微創醫療科學有限公司, the "MicroPort Scientific"), whose shares are listed on the Main Board of the Stock Exchange (stock code: 00853.hk), from August 2004 to February 2012. MicroPort Scientific was then a leading medical technology company that was developing, manufacturing and selling high-end medical devices in the PRC whose products included those used for vascular diseases and disorders, such as cardiovascular, neurovascular, aortic and peripheral vascular, as well as devices for cardiology, electrophysiology, orthopedics and diabetes. Mr. Wang was primarily responsible for the management of qualify system and registration regulations at MicroPort. From March 2012 to November 2014, he was the senior director of quality regulations at Angiocare Medical Technology Corporation Limited (上海安通醫療科技有限公司, the "Angiocare"), a company primarily engaged in the development, production and sale of medical devices for renal denervation, where he was primarily responsible for quality control and products registration. From December 2014 to November 2015, Mr. Wang served as the deputy general manager of Essen Technology (Beijing) Corporation Limited (易生科技(北京)有限公司, the "Essen Technology"), a company primarily engaged in interventional cardiovascular devices in China with a current focus on the R&D and commercialization of DES products, where he was primarily responsible for the overall management of the company. From December 2015 to May 2016, he was the deputy general manager of Shanghai Bio-heart Biological Technology Co., Ltd. (上海百心安生物技術股份有限公司), which is a leading interventional cardiovascular device company in China with current focus on bioresorbable scaffolds and renal denervation, where he was primarily responsible for quality control and products registration.

In November 2007, he was certified as a standardization engineer by Shanghai Municipal Human Resources Bureau (上海市人事局), currently known as Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局). In November 2019, he was appointed as a committee member by the Youth Committee of Shanghai Stroke Association (上海卒中學會青年理事會). In September 2020, Mr. Wang was appointed as a professional consultant to the Life Science Blue Bay of Lin-gang Special Area (臨港新片區生命藍灣) by China (Shanghai) Pilot Free Trade Zone Lin-gang Special Area Administration (中國(上海)自由貿易試驗區臨港新片區管理委員會) and Shanghai Lin-gang Economic Development (Group) Corporation Limited (上海臨港經濟發展(集團)有限公司). Mr. Wang was also appointed as a committee member of the Cardiovascular Implant Sub-Technical Committee of the National Standardization Technical Committee for Surgical Implants and Orthopedic Devices (全國外科植入物和矯形器械標準化技術委員會心血管植入物分技術委員會) by the Standardization Administration of the PRC (國家標準化管理委員會), a vice managing committee member of the Intervention Medical Engineering Committee of the Shanghai Biomedical Engineering Society (上海市生物醫學工程學會介入醫學工程專會副主任委員), and was named as a "Shanghai Industry Elite" (上海產業菁英).

Directors, Supervisors and Senior Management (Continued)

Mr. Wang obtained his bachelor's degree in marine engineering management from Dalian Maritime University (大連海事大學) in the PRC in July 2000. He received his master's degree in applied chemistry from Shanghai University (上海大學) in the PRC in March 2005, and a degree of executive master of business administration from Tsinghua University (清華大學) in the PRC in January 2016.

Ms. ZHANG Kun (張坤), aged 47 and formerly named Zhang Ye (張葉), was redesignated as our executive Director and appointed as our deputy general manager on November 23, 2020. She joined our Company as a Supervisor in April 2018 and has served as a Director of our Company since September 2019. She is primarily responsible for the clinical trials, bidding and admission department of our Company.

Ms. Zhang has over 20 years' experience in the fields of the R&D and commercialization of medical devices. Prior to the founding of our Company, she was the sales representative of Shanghai Zhenwei Science and Trade Corporation Limited (上海真維科貿有限公司), a company mainly engaged in the distribution of medical devices, from August 2000 to May 2002, where she was primarily responsible for the development, sale and marketing of the interventional products in Shanghai area. From May 2002 to March 2004, she was the regional sales manager in charge of Shanghai area at MicroPort and was then promoted to the head of marketing department and medical affairs department during the period from March 2005 to May 2009. From May 2009 to January 2011, she served as the national marketing director of Shanghai MicroPort EP MedTech Corporation Limited (上海微創電生理醫療科技股份有限公司), a company primarily engaged in the R&D, manufacturing and marketing of medical devices and equipment and a subsidiary of MicroPort Scientific where she was primarily responsible for the marketing of the company. From December 2012 to November 2014, Ms. Zhang was the director of clinical experiment department at Angiocare, where she was primarily responsible for the management of clinical experiments and the marketing of products. From November 2014 to October 2020, she was the deputy general manager at Essen Technology, where she was primarily responsible for the overall management of the company.

Ms. Zhang obtained her bachelor's degree in mechanical and electrical engineering from Beijing Academy of Armored Forces Engineering (北京裝甲兵工程學院) in the PRC in July 2000. She received her master's degree in business administration from the City University of Hong Kong in Hong Kong in February 2017. Since 2017,Ms. Zhang has held various positions at the City University of Hong Kong Executive Master of Business Administration (Chinese) Alumni Association (香港城市大學EMBA(中文)校友會, the "EMBA (Chinese) Alumni Association of CityU"). In September 2018, she was appointed as the deputy secretary-general for a term of two years from 2017 to 2019 by EMBA (Chinese) Alumni Association of CityU Limited (香港城市大學行政人員工商管理碩士(中文)校友會有限公司). Subsequently since December 2019, Ms. Zhang has been serving as a council member of EMBA (Chinese) Alumni Association of CityU for consecutive terms from 2019 to 2021, and 2021 to 2024. In December 2019, she was also appointed as a full-time deputy vice-president (devices) of the Biomedicine Professional Committee (生物醫藥專業委員會) of EMBA (Chinese) Alumni Association of CityU, certified as the founding member and appointed as the consultant to the presidential council of the EMBA (Chinese) Alumni Association of CityU.

Directors, Supervisors and Senior Management (Continued)

Mr. WEI Jiawei (韋家威), aged 46, joined our Company in September 2020 and was appointed as the deputy general manager in November 2020. He was redesignated as our executive Director on June 10, 2022. He is primarily responsible for sales and marketing management of our Company.

Mr. Wei has extensive experience in the field of marketing and sale of medical devices. Between September 2005 to December 2008, he worked in the BSC International Medical Trading (Shanghai) Corporation Limited (波科國際醫療貿易(上海)有限公司). From July 2008 to July 2018, Mr. Wei was first a regional sales manager in Ev3 Medical Devices (Beijing) Corporation Limited (醫偉司安醫療器材(北京)有限公司) and then promoted to the manager of its national new business development department of Covidien Healthcare International Trading (Shanghai) Corporation Limited (柯惠醫療器材國際貿易(上海)有限公司), both companies being the subsidiaries of Medtronic plc. He was a deputy general manager of sales of Jiangsu Nico Medical Technology Corporation Limited (江蘇尼科醫療器械有限公司) from August 2018 to August 2020.

Mr. Wei obtained his bachelor's degree in chemical pharmaceutical technology from East China University of Science and Technology (華東理工大學) in the PRC in July 1999.

Non-executive Directors

Mr. DING Kui (丁魁), aged 41, joined our Company in April 2018 as a Director and was redesignated as our non-executive Director on November 23, 2020. He is primarily responsible for providing strategic advice and recommendations on the operations and management of our Company.

Mr. Ding has more than 18 years' experience in financial and healthcare industries. From August 2005 to August 2012, Mr. Ding worked in Sinolink Securities Corporation Limited (國金證券股份有限公司) as a business director. He has been serving as the deputy general manager and the secretary of the board of directors at Shanghai Kinetic Medical Corporation Limited (上海凱利泰醫療科技股份有限公司, the "Kinetic") since August 2012, where he was primarily responsible for the management of the office of the board of directors, the investment and development department and legal department. Since he joined Kinetic, Mr. Ding has also been serving as non-executive directors and supervisors in various companies Kinetic invested in.

Mr. Ding obtained his bachelor's degree in electrical engineering and automation from Tongji University (同濟大學) in the PRC in July 2003.

Mr. CHEN Shaoxiong (陳少雄), aged 62, was appointed as our non-executive Director on November 9, 2022. He has worked at the Shanghai Biopharmaceutics Industry Association ("SBIA") since May 2003 and is currently serving as the secretary general and executive president of SBIA. Mr. Chen was also appointed as the chairman of Shanghai Shenjiang Medical Science and Technology Development Foundation (上海申江醫學科技發展基金會) in May 2023 and began serving as an independent director of Shanghai Tellegen Life Technology Co., Ltd. (上海透景生命科技股份有限公司), a company listed on the Shenzhen Stock Exchange (300642.SZ) in December 2023. Prior to joining SBIA, Mr. Chen Shaoxiong worked at Shanghai No.1 Biochemical and Pharmaceutical Co., Ltd. and its predecessor, Shanghai Biochemical Pharmaceutical Factory, between July 1984 and April 2003. Mr. Chen Shaoxiong has also served as the secretary general of the award committee of the C.C. Tan Life Science Award since May 2008 and the vice president of the Shanghai Federation of Industrial Economics: Shanghai Federation of Economic Organization since January 2010.

Directors, Supervisors and Senior Management (Continued)

Mr. Chen Shaoxiong obtained his bachelor's degree in agriculture from the School of Agriculture and Biology of Shanghai Jiao Tong University (formerly known as Shanghai School of Agriculture) in July 1984, and he further obtained his executive master's degree in business administration from Antai College of Economics and Management at Shanghai Jiao Tong University in June 2010, and his doctorate of business administration from the Grenoble Ecole De Management in France in February 2018. Mr. Chen Shaoxiong has also been a qualified principal senior engineer since December 2018.

Mr. CHEN Gang (陳剛), aged 40, joined our Company in June 2020 as a Director and was redesignated and served as our non-executive Director from November 2020 to August 2022. He was then appointed as our non-executive Director on November 8, 2023. He is primarily responsible for providing strategic advice and recommendations on the operations and management of our Company.

Mr. Chen has over 16 years' experience in financial industry. From 2007 to 2011, Mr. Chen served as a project leader at L.E.K. Consulting (Shanghai) Co., Ltd. (艾意凱諮詢(上海)有限公司). Where he was primarily responsible for business strategy, merger and acquisition advisories for healthcare and life sciences clients. From 2013 to 2015, Mr. Chen worked at Vivo Capital Equity Investment Management (Shanghai) Co., Ltd. (維梧股權投資管理(上海)有限公司), where he was primarily responsible for investment due diligence, deal executions and portfolio management. From 2015 to 2017, Mr. Chen worked at Shanghai Aland Investment Holdings Co., Ltd. (上海艾蘭得投資控股有限公司). Mr. Chen joined LYFE Capital Equity Investment Management (Shanghai) Co., Ltd. (洲嶺私募基金管理(上海)有限公司) as a director in March 2017, and he has been its partner since March 2019.

In his capacity as an investor, Mr. Chen served at various capacity for the following companies:

- From June 2018 to August 2020, as a director in Hangzhou Kangji Medical Instrument Co., Ltd. (杭州康基醫療器械有限公司) and from March 2020 to April 2022, Mr. Chen served as a non-executive director of Kangji Medical Holdings (康基醫療控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 9997).

- From October 2017 to November 2019, as a non-executive director at Cardiolink Science (Shenzhen) Medical Technology Development Co., Ltd. (科睿馳(深圳)醫療科技發展有限公司).

- From October 2020 to September 2021, as a non-executive director of Hangzhou Sciwind Biotech Co., Ltd. (杭州先為達生物科技有限公司).

- From November 2020 to June 2021, as a non-executive director at BirdoTech (Shanghai) Medical Technology Corporation Limited (都創(上海)醫藥科技股份有限公司).

- From December 2020 to April 2022, as a non-executive director of Nanjing Yoko Pharma Biotechnology Medicine Corporation Limited (南京優科生物醫藥股份有限公司).

- From April 2021 to August 2022, as a non-executive director of Hangzhou Jianjia Robot Co., Ltd (杭州鍵嘉機器人有限公司).

Directors, Supervisors and Senior Management (Continued)

- From June 2018 to December 2020, as a supervisor at Sino Medical Sciences Technology Inc. (賽諾醫療科學技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688108).

- From November 2020 to September 2022, as a supervisor of Jiangsu Recbio Technology Co., Ltd. (江蘇瑞科生物技術股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2179).

- From January 2018 to February 2023, as a non-executive Director of Baicare Biotechnology Co., Ltd (北京百康芯生物科技有限公司).

Mr. Chen is currently serving the following positions outside our Group:

- Since July 2018, as a non-executive director of Beijing Anngeen Biotechnology Co., Ltd. (北京安智因生物技術有限公司).

- Since May 2020, as a non-executive director of Shanghai Zhenge Biotech Co., Ltd. (上海臻格生物技術有限公司), a company primarily engaged in biologics CDMO service for biopharma and biotech companies.

- Since September 2020, as a non-executive director of Shenzhen ReeToo Biotech Co., Ltd. (深圳市瑞圖生物技術有限公司), a company primarily engaged in innovative AI-enhanced IVD products.

- Since January 2021, as a non-executive director of Shenzhen Edge Medical Robotics Co. Ltd. (深圳市精鋒醫療科技有限公司), a company primarily engaged in surgical treatments robotics.

- Since February 2021, as a non-executive director of Shanghai ShenQi Medical Technology Co. Ltd. (上海申淇醫療科技有限公司), a company primarily engaged in interventional medical devices.

- Since February 2022, as a non-executive director of MediLink Therapeutics (Suzhou) Co., Ltd. (蘇州宜聯生物醫藥有限公司).

- Since July 2023, as a board director of Fong's Engineering & Manufacturing Pte Ltd, a company based in Singapore engaged in medical device CDMO manufacturing.

Mr. Chen received his bachelor's degree in clinical medicine from Shanghai Medical School of Fudan University (復旦大學上海醫學院) in the PRC in July 2007 and master's degree in business administration from Northwestern University Kellogg School of Management in the U.S. in June 2013.

Directors, Supervisors and Senior Management (Continued)

Independent Non-executive Directors

Mr. GUO Shaomu (郭少牧), aged 58, has been our independent non-executive Director since November 23, 2020. He is primarily responsible for providing independent advice on the operations and management of our Company to our Board.

Mr. Guo has over 13 years of experience in investment banking in Hong Kong, during which time he accumulated ample knowledge in the financial industry. From February 2000 to February 2001, Mr. Guo served as an associate of corporate finance at Salomon Smith Barney, an investment bank principally engaged in providing financial services (an investment banking arm of Citigroup Inc.), where he was primarily responsible for supporting the marketing and execution efforts of the China team. From March 2001 to September 2005, Mr. Guo served as an associate and an associate director of global investment banking at HSBC Markets (Asia) Limited, an investment bank principally engaged in providing financial services, where he was primarily responsible for the execution of China-related transactions. From October 2005 to April 2007, Mr. Guo served as a vice president and a director of the real estate team at J.P. Morgan Investment Banking Asia, an investment bank principally engaged in financial services, where he was primarily responsible for marketing efforts covering the real estate sector in the PRC. From April 2007 to April 2013, Mr. Guo served as a director and a managing director of the real estate team at Morgan Stanley Investment Banking Asia, an investment bank primarily engaged in providing financial services, where he was one of the key members responsible for the business in the real estate sector in the Greater China region.

Mr. Guo has served as an independent non-executive director of Yida China Holdings Limited, a property developer listed on the Main Board of the Stock Exchange (stock code: 3639.HK), since June 2014, Fantasia Holdings Group Co. Limited, a property developer listed on the Main Board of the Stock Exchange (stock code: 1777.HK), since February 2015 and Sunkwan Properties Group Limited (上坤地產集團有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 6900.HK), since October 2020. Moreover, Mr. Guo has also served as an independent non-executive director of GalaxyCore Inc. (格科微有限公司), a company listed on the Sci-Tech Board of the Shanghai Stock Exchange (stock code: 688728.SH), since March 2020. Mr. Guo was also an independent non-executive director of Ganglong China Property Group Limited, a property developer listed on the Main Board of the Stock Exchange (stock code: 6968.HK) between June 2020 and December 2023.

Mr. Guo obtained his bachelor's degree in electrical engineering from Zhejiang University (浙江大學) in the PRC in July 1989, a master's degree in computer engineering from University of Southern California in May 1993. He received his master's degree in business administration from the School of Management of Yale University in May 1998.

Mr. FENG Xiangqian (馮向前), aged 37, has been our independent non-executive Director since November 23, 2020. He is primarily responsible for providing independent advice on the operations and management of our Company to our Board.

Mr. Feng has over 16 years' experience in financial industry. Mr. Feng was a senior manager of Caitong Securities Corporation Limited (財通證券股份有限公司) from July 2007 to October 2010 where he was primarily responsible for initial public offering affairs. He was a business director of the investment banking department of Donghai Securities Corporation Limited (東海證券股份有限公司) from November 2010 to February 2014. He worked at Shenzhen Stock Exchange from March 2014 to March 2017. From August 2017 to July 2018, Mr. Feng was the vice president of the investment banking division of China Merchants Pingan AMC (深圳市招商平安資產管理有限責任公司). Since April 2019, he has been employed by Xiangcai Securities Corporation Limited (湘財證券股份有限公司).

Directors, Supervisors and Senior Management (Continued)

Mr. Feng obtained his bachelor's degree in biological science from Fudan University in July 2007 and his master's degree in finance from the University of Chinese Academy of Social Sciences (中國社會科學院大學) (formerly known as the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院)) in the PRC in June 2013. In October 2020, Mr. Feng received his certificate of senior economist from Shenzhen Municipal Human Resources and Social Security Bureau (深圳市人力資源和社會保障局). In addition, he has been a member of the Global Association of Risk Professionals as a financial risk manager since August 2019.

Mr. GONG Ping (龔平), aged 37, has been our independent non-executive Director since January 11, 2021. He is primarily responsible for providing independent advice on the operations and management of our Company to our Board.

Mr. Gong has over 14 years' experience in auditing and financial management. Mr. Gong was the audit manager of the Shanghai branch of Ernst & Young Hua Ming (LLP) (安永華明會計師事務所(上海分所)特殊普通合夥) from December 2009 to March 2015. He then served as the deputy director of capital market division of Broad Greenstate Ecological Construction Group Company Limited (博大綠澤生態建設集團有限公司) from March 2015 to April 2018. Since April 2018, Mr. Gong has been the chief financial officer of Dook Media Group Limited (讀客文化股份有限公司).

Mr. Gong obtained his bachelor's degree in international accounting (U.S. division) from Shanghai University of Finance and Economics (上海財經大學) in July 2009. He has also obtained his master's degree in business administration (MBA) from the Shanghai Jiao Tong University in March 2021. Mr. Gong has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會, the "CICPA") since June 2015 and a member of Certified Public Accountants Association of Australia since February 2015. Mr. Gong obtained his CPA qualification, awarded by the Hong Kong Institute of Certified Public Accountants in February 2017.

SUPERVISORS

Mr. JIANG Xinbei (姜心貝), aged 32, was appointed as our Supervisor on November 9, 2022. Mr. Jiang has been working at Shanghai Sharowin Equity Fund Management Co., Ltd since April 2021 and currently serves as a senior investment manager, and is primarily responsible for equity investment management and consulting.

Mr. Jiang Xinbei was a technical salesperson at Covidien Medical Equipment International Trade (Shanghai) Co., Ltd from July 2018 to May 2019, and he then served as an investment manager at Jiangsu Tianhui Hongyou Investment Management Co., Ltd from September 2019 to April 2021.

Mr. Jiang Xinbei received his bachelor's degree in pharmaceutical engineering from China Pharmaceutical University in the PRC in July 2015 and his master's degree in medicinal chemistry from Peking Union Medical College in the PRC in July 2018.

Ms. JIANG Xue (姜雪), aged 38, joined our Company in October 2021 as a legal manager and was redesignated as our Supervisor on November 9, 2022. She is primarily responsible for monitoring and handling legal affairs of the Company.

Directors, Supervisors and Senior Management (Continued)

Ms. Jiang Xue was a patent engineer at Shanghai Sinyang Semi-conductor Material Co., Ltd from September 2012 to July 2013, and she then served as a patent manager at Daicel Chiral Technologies (Shanghai) Co., Ltd from November 2013 to April 2018. Ms. Jiang Xue was an associate at Shanghai Ryser & Associates from May 2018 to September 2021.

Ms. Jiang Xue received her bachelor's degree in applied chemistry (fine chemicals) and her master's degree in chemical engineering and technology from the Dalian University of Technology in the PRC in July 2008 and July 2011, respectively. Ms. Jiang Xue holds the Lawyer Qualification Certificate (法律職業資格證書) in the PRC and is a qualified patent agent in the PRC.

Mr. XUE Zongyu (薛宗玉), aged 38, was appointed as our Supervisor on November 8, 2023. Mr. Xue serves as the vice president of quality regulation of the Company since November 2017 and is primarily responsible for supervising and handling the quality management on research, development and production of the Group's medical devices, and the registration of such medical devices.

Mr. Xue was a quality engineer at Shanghai Medical Instruments (Group) Co., Ltd. Surgical Instruments Factory (上海醫療器械(集團)有限公司手術器械廠) from April 2009 to May 2010 and also as a quality engineer at Shanghai MicroPort Orthopedic Medical Technology Co., Ltd. (上海微創骨科醫療科技有限公司) from May 2010 to March 2012. He subsequently served as a quality manager at Shanghai AngioCare Technology Company Limited (上海安通醫療科技有限公司) from April 2012 to October 2017.

Mr. Xue received his bachelor's degree in material science and engineering from Taiyuan University of Science and Technology (太原科技大學) in July 2006 and his master's degree in material processing engineering from Shanghai University (上海大學) in March 2009.

SENIOR MANAGEMENT

Mr. WANG Guohui (王國輝), aged 46, has been our chief executive officer since the establishment of our Company in June 2016 and our chairman of the Board since November 23, 2020. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management — Directors — Executive Directors" in this section.

Ms. ZHANG Kun (張坤), aged 47 and formerly named Zhang Ye (張葉), has been our deputy general manager since November 23, 2020. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management — Directors — Executive Directors" in this section.

Mr. WEI Jiawei (韋家威), aged 46, has been appointed as our deputy general manager since November 2020. For further details, please refer to the paragraphs headed "Directors, Supervisors and Senior Management — Directors — Executive Directors" in this section.

Directors, Supervisors and Senior Management (Continued)

Dr. LI Zhigang, aged 62, has been our deputy general manager since November 2020.

Dr. Li joined our Company in November 2017 as our deputy general manager until June 2020. He was our Director from June 2020 to November 2020. In November 2020, he was re-appointed as our deputy general manager. He had been primarily responsible for R&D management of our Company since he joined our Group and there has been no change of his responsibilities after he was re-appointed as our deputy general manager.

Dr. Li was a staff engineer of Johnson & Johnson from 1999 to 2008. He was a manager responsible for R&D in West Pharma Services, Inc. from 2008 to 2013. He was the principal engineer of the vascular therapy department of Covidien (China) Medical Devices Technology Corporation Limited (柯惠(中國)醫療器材技術有限公司, the "Covidien"), a subsidiary of Medtronic plc, from 2013 to 2017.

Dr. Li obtained his bachelor's degree in mechanical engineering from Beijing University of Chemical Technology (北京化工大學) in the PRC in July 1982. He received his master's degree in mechanical engineering from Beijing University of Chemical Technology in July 1986. He obtained his Ph.D. in mechanical engineering from New Jersey Institute of Technology in the United States in January 2000.

Mr. ZHANG Han (張涵), aged 37, has been our chief financial officer since November 23, 2020.

Mr. Zhang joined our Company in November 2020 and was appointed as our chief financial officer on November 23, 2020. He is primarily responsible for the strategic development and financial management of our Company. He was appointed as our company secretary on December 22, 2020.

Mr. Zhang has extensive experience in equity capital market and financial management. Mr. Zhang started to work at Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)) in December 2009 and left as a senior associate in June 2012. From June 2012 to November 2020, he served as a senior manager, a director and an executive director of investment banking at Sinolink Securities Corporation Limited (國金證券股份有限公司), where he also served as the deputy general manager responsible for the corporate finance and M&A business in healthcare sector.

Mr. Zhang obtained his bachelor's degree in accounting and international economic law from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2009. He is a member of CICPA since March 2014 and also a member of Certified Public Accountants Association of Australia since June 2012.

JOINT COMPANY SECRETARIES

Mr. ZHANG Han (張涵), aged 37, was appointed as a joint company secretary of our Company on December 22, 2020. Mr. Zhang is also the chief financial officer of our Company. For further details, please see the paragraphs headed "Directors, Supervisors and Senior Management — Senior Management" in this section.

Ms. KWOK Siu Ying Sarah (郭兆瑩), aged 40, was appointed as a joint company secretary of our Company on March 24, 2022. Ms. Kwok is currently a manager of corporate services of Vistra Corporate Services (HK) Limited. She has over eight years of experience in the corporate services industry.

Directors, Supervisors and Senior Management (Continued)

Ms. Kwok obtained a bachelor's degree in Business Studies from University College Dublin, National University of Ireland in June 2012 and a master's degree in Corporate Governance from Hong Kong Metropolitan University (香港都會大學) (formerly known as The Open University of Hong Kong) in November 2017. She 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 2018. She is also an affiliate member of The Society of Trust and Estate Practitioners.

Ms. Kwok is currently the company secretary of NVC International Holdings Limited, a Main Board listed company in Hong Kong (stock code: 2222) and the joint company secretary of Shanghai Bio-heart Biological Technology Co., Ltd., a Main Board listed company in Hong Kong (stock code: 2185) and Beauty Farm Medical and Health Industry Inc., a Main Board listed company in Hong Kong (stock code: 2373).

CHANGES IN DIRECTORS' INFORMATION

Save as disclosed herein, as the date of this annual report, the Directors confirm that no information is 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 for the Company for the year ended December 31, 2023.

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 fulfil its role as a responsible corporate citizen.

Our vision is becoming an innovative medical device company that improves the accessibility of cutting-edge medical technologies and protects lives and health.

Our long-term business model is to redefine the standard of care, reduce mortality rates, and improve prognosis by continuously launching innovative medical devices.

Our strategy is to become the leader in the neuro-interventional medical device market in China.

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

More information about the Company's vision, mission and values is available on the sections headed "Report of Directors — Business Review", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report.

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code as its own code to govern its corporate governance practices.

Except for code provision C.2.1 set out below, in the opinion of the Directors, the Company has complied with all the code provisions as set out in Part 2 of the CG Code during the Reporting Period.

Corporate Governance Report (Continued)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang Guohui is the chairman of the Board and chief executive officer of the Company. With extensive experience in the medical devices industry and having served in the Company as the general manager since the very early stage of our Company, Mr. Wang is in charge of overall management of the Company. Despite the fact that the roles of our chairman of the Board and our chief executive officer are both performed by Mr. Wang which constitutes a deviation from code provision C.2.1 of the CG Code, the Board considers that vesting the roles of both chairman of the Board and chief executive officer all in Mr. Wang has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of the Company. The balance of power and authority is ensured by the operation of our Board, which comprises experienced and diverse individuals. The Board currently comprises three non-executive Directors and three independent non-executive Directors as compared to three executive Directors. Therefore, the Board possesses a strong independent element in its composition.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

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 Board currently comprises three independent non-executive Directors, being one-third of the Board and meeting the independence requirements under the Listing Rules. The Remuneration Committee, Audit Committee and Nomination Committee are all 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 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.

Corporate Governance Report (Continued)

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 their office or employment, are likely to possess inside information in relation to Company or its securities.

Upon specific enquiry, all the Directors and Supervisors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

BOARD OF DIRECTORS

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

Executive Directors

Mr. WANG Guohui *(Chairman, Chief executive officer)*
Ms. ZHANG Kun *(Deputy general manager)*
Mr. WEI Jiawei *(Deputy general manager)*

Non-executive Directors

Mr. DING Kui
Mr. CHEN Shaoxiong
Mr. CHEN Gang *(Note 1)*

Independent Non-executive Directors

Mr. GUO Shaomu
Mr. FENG Xiangqian
Mr. GONG Ping

Note:

1. Mr. CHEN Gang has been appointed as a non-executive Director on November 8, 2023.

The biographical details of the current Directors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 18 to 24 of this annual report.

Save as disclosed in this annual report, there is no any relationship (including, financial, business, family or other material/relevant relationship(s)) between the Board members.

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

During the Reporting period, 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 at least 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 and independent non-executive directors of the Company has entered into a service contract with the Company which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

None of the Directors 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 Company may, in accordance with the Articles of Association, by ordinary resolution remove any Director before the expiration of his/her term of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director.

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.

Corporate Governance Report (Continued)

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; willing 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', SUPERVISORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE

The Company has arranged appropriate insurance cover for Directors', Supervisors' and senior management's liabilities in respect of legal actions against Directors, Supervisors and senior management 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. WANG Guohui, Ms. ZHANG Kun, Mr. WEI Jiawei, Mr. DING Kui, Mr. CHEN Shaoxiong, Mr. CHEN Gang, Mr. GUO Shaomu, Mr. FENG Xiangqian and Mr. GONG Ping 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.

BOARD COMMITTEES

We have established an Audit Committee, a Remuneration Committee, and a Nomination Committee on our Board. The committees operate in accordance with the terms of reference established by our Board. The terms of reference of each of these committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

Our Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph A.2 and paragraph D.3 of the CG Code. The Audit Committee consists of one non-executive Director, Mr. DING Kui, and two independent non-executive Directors, Mr. GONG Ping and Mr. FENG Xiangqian. The chairman of the Audit Committee is Mr. GONG Ping who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee are to assist our Board by way of providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process, and performing other duties and responsibilities as assigned by our Board.

During the Reporting Period, three Audit Committee meetings were held. The attendance record of the committee members is set out in the paragraphs headed "Board Meetings, Committee Meetings and General Meetings" in this section. The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the annual results announcement and annual report of the Group for the year ended December 31, 2022, the interim results announcement and interim report of the Group for the six months ended 30 June 2023;

- reviewed the scope of audit and appointment of auditors and discussed matters with respect to the Group's financial and accounting policies and practices and internal control with senior management members of the Company; and

- reviewed the risk management, internal control and compliance systems and the effectiveness of internal audit function and discussed with the management team and internal audit on their findings.

The Audit Committee also met three times with Ernst & Young, the external auditors of the Company during the Reporting Period. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters.

Corporate Governance Report (Continued)

Remuneration Committee

Our Company has established a Remuneration Committee with written 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, Mr. Wang, and two independent non-executive Directors, Mr. GUO Shaomu and Mr. GONG Ping. Mr. GUO Shaomu is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) presenting recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for development policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving, if appropriate, performance-based remuneration by reference to corporate goals and objects resolved by our Board on a regular basis.

During the Reporting Period, three Remuneration Committee meetings were held. The attendance record of the committee members is set out in the paragraphs headed "Board Meetings, Committee Meetings And General Meetings" in this section. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- reviewed and made recommendations to the Board on the remuneration package of the Directors and senior managements, including salary and share incentive scheme;

- reviewed and made recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management; and

- reviewed the performance of duties of Directors and senior management of the Company and conduct annual performance appraisals on them.

Details of the Directors' and Supervisors' remuneration for the Reporting Period are set out in Note 9 to the financial statements.

Corporate Governance Report (Continued)

The remuneration of the members of senior management (including three Directors) of the Group by band for the Reporting Period is set out below:

REMUNERATION BANDS (RMB)	NUMBER OF SENIOR MANAGEMENT
3,500,000–4,000,000	1
3,000,000–3,500,000	2
1,000,000–1,500,000	2
TOTAL	5

Nomination Committee

Our Company has established a Nomination Committee with written terms of reference in compliance with Rule 3.27 of the Listing Rules and paragraph B.3 of the CG Code. The nomination committee consists of one executive Director, Mr. Wang, and two independent non-executive Directors, Mr. GUO Shaomu and Mr. FENG Xiangqian. Mr. Feng is the chairman of the Nomination Committee.

The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of our independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

During the Reporting Period, three Nomination Committee meetings were held. The attendance record of the committee members is set out in the paragraphs headed "Board Meetings, Committee Meetings And General Meetings" in this section. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- assess the independence of the independent non-executive Directors;

- considered and/or made recommendations to the Board on the election of a director, select and recommend candidates for directorship; and

- reviewed the structure, size and composition of the Board.

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

Corporate Governance Report (Continued)

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, qualifications, experience, independence (for appointment of independent non-executive Directors), and Board diversity aspects, where appropriate, before making recommendation to the Board.

BOARD DIVERSITY POLICY

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

The Board has adopted a board diversity policy in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background and professional experience that the Nomination Committee may consider relevant from time to time towards achieving a diversified Board. The board diversity policy will be reviewed by the Nomination Committee annually.

As at the date of this annual report, our Board consists of eight male members and one female member with three Director of age 31 to 40 years old, four Directors of age 41 to 50 years old and two Directors who are over 50 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.

The Board targets to maintain at least the current level of female representation and will continue to take steps to promote gender diversity at the Board of our Company. Going forward, we will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our board diversity policy. In particular, we will actively identify female individuals suitably qualified to become our Board members and we aim to achieve a target of 20% female representation in our Board. To further ensure gender diversity of our Board in a long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee periodically in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall management and strategic development, finance and accounting, as well as relevant professional experiences. The Company has three independent non-executive Directors with different industry backgrounds, representing one third of the members of the Board. Further details on the biographies and experience of the Directors are set out on page 18 to page 24 of this annual report.

Corporate Governance Report (Continued)

WORKFORCE DIVERSITY

The male to female gender ratio in the workforce (including senior management) for Reporting Period is 33:67. The total gender diversity of the Group is acceptable and the Group will strive to continue maintaining a gender diverse workforce. For further details of gender ratio, please refer to the disclosure in the Environmental, Social and Governance report.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into (i) an employment contract, (ii) a confidentiality agreement, and (iii) a non-competition agreement with our senior management members and other key personnel. Below sets forth the key terms of these contracts we entered into with our senior management members and other key personnel.

Confidentiality

Scope of confidential information. The employee shall keep the following information confidential:

(a) any proprietary information of our Company, including, but not limited to: trade secret, experimental and clinical data, business plan and market information, client and financial information etc.;

(b) any information obtained or to be obtained by our Company which is owned by third parties for which the Company owes a duty of confidentiality to such third party.

Confidential obligation. The employee shall not leak, publish or otherwise make available to any third party (including employees who are not privy to such trade secrets) any aforesaid information of our Company or our Company's customers in any manner and shall not utilize aforesaid information beyond his/her scope of work. The employee must return to our Company all documents, drawings, records, work-related equipment as and when required by our Company.

Confidential period. The confidentiality obligation shall continue in force after the cessation of the employee's employment with our Company, until the confidential information becomes available in the public domain and is known to the public.

Non-competition covenants

Non-competition obligation during employment term. During the term of the employment with our Company, unless with our prior consent, the employee shall not engage in any business or engage in a course of employment that develops, produces, or sells products or provides service that are the same or similar to those offered by the Group.

Non-competition obligation upon expiry of employment term. Upon the date of termination or expiration of the employment contract, the employee shall not serve in any capacity at any company which is engaged in the business, or the manufacturing of any product, that is similar to that of the Group, for two years commencing from the date of termination or expiration of the employment contract, subject to applicable laws and regulations.

Corporate Governance Report (Continued)

Compensation for breach. If the employee breaches the obligations under the confidentiality agreement, our Group shall be entitled to seek damages for all economic losses arising from such breach; if the employee breaches the obligations under the non-competition agreement, our Group shall be entitled to a certain liquidated sum determined with reference to the economic and commercial losses suffered by our Group and the non-competition compensation originally payable to the employee.

CORPORATE GOVERNANCE FUNCTION

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

The Board had reviewed:

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

BOARD MEETINGS, COMMITTEE MEETINGS AND GENERAL MEETINGS

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 twice a year. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. 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 chairman of the board or the committee members prior to the meeting. Minutes of meetings are kept by the Joint Company Secretaries with copies circulated to relevant Board or Board Committee for comments and records.

Minutes of the Board meetings and committee meetings are recorded 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 minutes of each Board meeting and committee meeting are sent to the relevant board or committee members for comments 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.

Corporate Governance Report (Continued)

During the Reporting Period, six Board meetings; three Audit Committee meetings, three Remuneration Committee meetings, and three Nomination Committee meetings were held. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during the Reporting Period is set out in the following table below:

	Number of meeting(s) attended/number of meeting(s) held during the year ended December 31, 2023				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General**
Executive Directors:					
Mr. WANG Guohui	6/6	N/A	3/3	3/3	2/2
Ms. ZHANG Kun	6/6	N/A	N/A	N/A	2/2
Mr. WEI Jiawei	6/6	N/A	N/A	N/A	2/2
Non-executive Directors:					
Mr. DING Kui	6/6	3/3	N/A	N/A	2/2
Mr. CHEN Shaoxiong	6/6	N/A	N/A	N/A	2/2
Mr. CHEN Gang *(Note 1)*	2/2	N/A	N/A	N/A	N/A
Independent Non-executive Directors:					
Mr. GUO Shaomu	6/6	N/A	3/3	3/3	2/2
Mr. FENG Xiangqian	6/6	3/3	N/A	3/3	2/2
Mr. GONG Ping	6/6	3/3	3/3	N/A	2/2

Note:

1. Mr. CHEN Gang has been appointed as a non-executive Director on November 8, 2023.

During the Reporting Period, the Company convened one annual general meeting on May 18, 2023 and one extraordinary general meeting on November 8, 2023. For details, please refer to the Company's prior announcements.

During the Reporting Period, the Chairman held one meeting with independent non-executive directors without presence of other directors.

Corporate Governance Report (Continued)

DISSEMINATION OF INSIDE INFORMATION

The Group regulates the handling and dissemination of inside information according to internal procedures and policy so as to ensure 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.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the Reporting Period in accordance with statutory requirements and applicable accounting standards.

The Directors also acknowledge their responsibilities to ensure that the financial statements of the Company are published in a timely manner. 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. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditor as the auditors for the Reporting Period. A statement by Ernst & Young about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 92 to 98 of this annual report.

Audit fees of the Group for the Reporting Period payable to the external auditors were approximately RMB3.1 million. No fees were payable to the external auditors or their affiliates for any non-audit services.

Details of the fees paid or payable to the Company's auditors, in respect of the audit services for the Reporting Period are set out in the table below:

Services rendered for the Company	**RMB '000**
Audit services:	
Annual audit service	3,100
Total	**3,100**

JOINT COMPANY SECRETARIES

The Company engaged Ms. KWOK Siu Ying, Sarah, the manager of Corporate Services of Vistra Corporate Services (HK) Limited (a company secretarial service provider), as a joint company secretary of the Company. Mr. ZHANG Han is another joint company secretary of the Company and is the primary corporate contact person of Ms. Kwok at the Company.

In compliance with Rule 3.29 of the Listing Rules, each of Mr. ZHANG Han and Ms. KWOK Siu Ying, Sarah 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 66 of the Articles of Association, the general meeting shall be convened by the Board. If the Board is unable or fails to fulfill the obligation of convening the meetings of the general meeting, the Board of Supervisors shall convene such meetings. If the Board of Supervisors does not convene such meetings, any shareholders individually or jointly holding more than 10% of the Company's shares for more than 90 consecutive days may convene such meetings on their own.

Procedures for Putting Forward a Proposal at the General Meeting

Pursuant to Article 50 and Article 74 of the Articles of Association, shareholders who individually or collectively hold more than 3% of the Company's shares shall have the rights to propose forward an interim proposal to the Company and submit them in writing to the Board 10 days prior to the general meeting.

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

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

Article 126 of the Articles of Association provides that written notice concerning proposed nomination of a director candidate and indication of the candidate's intention to accept the nomination shall be sent to the Company seven (7) days before the shareholders' general meeting is convened. When calculating the time limit of the notice, the date of the meeting and the day on which the notice is given shall be excluded.

Corporate Governance Report (Continued)

Right to Put Enquiries to the Board

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

Address:
Floor 1 and 3, Building 38
No. 356, Zhengbo Road
Lingang New District
Pilot Free Trade Zone
Shanghai
PRC
Attention: Mr. ZHANG Han
Email: ir@heartcare.com.cn

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; (v) the Company's H share registrar in Hong Kong serving the Shareholders in respect of all share registration matters; and (vi) convening investor meeting and/or analyst briefings, which led by our executive Directors and investor relations team with existing and potential investors.

The Company held its annual general meeting on May 18, 2023. A total number of 27,603,837 shareholders, including their proxies or representatives attended the annual general meeting and shares voted is approximately 71.08% of the total issued shares of the Company. All resolutions proposed at the annual general meeting were passed.

The Company also held one extraordinary general meeting on November 8, 2023. A total number of 21,511,014 shareholders, including their proxies or representatives attended the extraordinary general meeting and shares voted is 55.39% of the total issued shares of the Company. All resolutions proposed at the extraordinary general meeting were passed.

Having considered the multiple channels of communication and shareholders engagement in the general meeting held during the year, the Board is satisfied that the shareholders communication policy has been properly implemented during 2023 and is effective.

DIVIDEND POLICY

We currently expect to retain all future earnings for use in the operation and expansion of our business, and do not have any dividend policy to declare or any dividends to pay in the near future.

The declaration and payment of any dividends in the future will be determined by the Board and subject to the Articles of Association and the PRC Company Law, and will depend on a number of factors, including the successful commercialization of the pipeline products of the Company as well as the Group's earnings, capital requirements, overall financial condition and contractual restrictions. No dividend shall be declared or payable except out of profits and reserves lawfully available for distribution. As confirmed by the Company's legal advisor as to PRC law, according to PRC Law, any future net profit that the Company make will have to be first applied to make up for our historically accumulated losses, after which the Company will be obliged to allocate 10% of the net profit to statutory common reserve fund until such fund has reached more than 50% of the registered capital. The Company will therefore only be able to declare dividends after (i) all historically accumulated losses have been made up for; and (ii) sufficient net profit has been allocated to the statutory common reserve fund as described above.

CONSTITUTIONAL DOCUMENTS

The amended and restated Articles of Association took effect from May 18, 2023, and is available on the respective websites of the Stock Exchange and the Company.

On November 9, 2022, the Shareholders approved the adoption of an amended Articles of Association in connection with the Company's proposed listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange, the amended Articles of Association shall only take effect upon completion of the proposed listing and has not taken effect during the Reporting Period.

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

Corporate Governance Report (Continued)

RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of the Board of Directors to ensure that the Group maintains sound and effective risk management and internal control systems, and make annual review on the effectiveness of such systems, in order to safeguard the Shareholders' investment and the Group's assets at all times. We have adopted a series of internal control policies and procedures designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- We will comply with the Corporate Governance Code. We have established three board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, with respective written terms of reference in compliance with the Corporate Governance Code.

- Our internal audit department is responsible for identifying and assessing key risks on various aspects of our operations and supervising the rectification of internal control deficiencies. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, our internal audit department (i) gathers information about the risks relating to our operation or function; (ii) conducts risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect our objectives and establish a uniform risk assessment standard; (iii) continuously monitors the key risks relating to our operation or function; (iv) implements appropriate risk responses where necessary; and (v) develops and maintains an appropriate mechanism to facilitate the application of our risk management framework.

- We have adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions, notifiable transactions, inside information and securities transactions by the Directors.

- We have engaged a PRC law firm to advise us on and keep us abreast with PRC laws and regulations. We will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, supervisors, senior management and relevant employees on the latest applicable laws and regulations.

- We have provided and will provide regular anti-corruption and anti-bribery compliance training for our Directors, senior management and sales employees in order to enhance their knowledge and compliance of applicable laws and regulations.

Corporate Governance Report (Continued)

During the Reporting Period, our internal audit department conduced an annual review on the effectiveness of our internal controls associated with our major business processes, identified deficiencies and improvement opportunities, provided recommendations on remedial actions and reviewed the implementation status of these remedial actions. As a result, we have not identified any material deficiencies in our internal control system. Our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations. For the year ended December 31, 2023, the Company was not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities, and to the best knowledge of the Directors, none of our employees were involved in any bribery or kickback arrangements.

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.

Whistleblowing 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 whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system.

The whistleblowing policy will be reviewed on a regular basis, any suspected cases will be reported to the Board.

Environmental, Social and Governance Report

1 ENVIRONMENTAL, SOCIAL AND GOVERNANCE OVERVIEW

1.1 ESG REPORT

1.1.1 Company Profile

Shanghai HeartCare Medical Technology Corporation Limited (the "Group") is an innovative medical device company committed to improving the accessibility of innovative medical technologies and protecting lives and health. In just seven years, HeartCare Medical has pioneered the first one-stop solution for stroke treatment and prevention in China in the field of neurointervention, creating a full product pipeline from acute ischemic stroke, neurovascular stenosis treatment, hemorrhagic stroke treatment and ischemic stroke prevention to interventional access equipment.

Leveraging our advantages in R&D, manufacturing and commercialization, we strive to fulfill the unmet needs of clinicians and patients in the fields with tremendous opportunities, redefine the standard of care, reduce mortality rate, and improve prognosis by continuously launching innovative medical devices.

1.1.2 Report Preparation Principles

The key performance indicators (KPIs) in this Environmental, Social and Governance Report (this "Report") are prepared with reference to the relevant calculation standards and methodologies provided in the Environmental, Social and Governance Reporting Guide as set out in the appendix to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The contents of this Report have been defined and disclosed based on the principles of materiality, quantitative, balance and consistency. This Report has adopted the calculation methods and reporting coverage consistent with the annual report, and has avoided selections, omissions or presentation formats that may inappropriately influence readers' decisions or judgments.

The Board of Directors of the Group seeks to incorporate the practice of the concept of sustainable development into the daily operations of the Group, so that the overall strategic direction of the Group is consistent with the sustainable development goals, and continues to improve the performance of the Group in ESG matters.

1.1.3 Reporting Coverage

This Report summarizes the Group's annual performance in environmental, social and governance aspects, so that all stakeholders can better understand the Group's sustainable development philosophy, management methods, measures and related performance. This Report clarifies the principles that the Group upholds in fulfilling our corporate social responsibility, and sets forth the Group's vision and commitment to corporate social responsibility. The ESG report covers the Company and each of its subsidiaries and branches. This Report covers a period from January 1, 2023 to December 31, 2023.

Environmental, Social and Governance Report (Continued)

1.1.4 Mission and Vision

The corporate vision of the Group is "becoming an innovative medical device company that improves the accessibility of cutting-edge medical technologies and protects lives and health". The Group researches, develops and manufactures innovative medical device products in response to unmet medical needs in China, aiming to define new treatment standards, significantly reduce disease mortality rate and improve prognosis. With the first domestic one-stop solution for stroke treatment and prevention, the Group aims to become a leader in China's neuro-interventional market and provide domestic medical workers with innovative devices with reliable quality, stable supply and more cost-effectiveness, so as to improve the popularity of neuro-interventional surgery, save more patients and fulfill the Group's corporate responsibility of giving back to the society.

As a public company, the Group will more actively promote the sustainable development of the Group in environmental protection, social and corporate governance while developing our business. The Board of Directors of the Group seeks to integrate the concept of sustainable development into daily operations of the Group, so as to align the overall strategic direction of the Group with our sustainable development objectives. The Board of Directors of the Group assumes the final responsibility for the ESG strategy and management of HeartCare Medical. Moreover, the Board of Directors will to a bigger extent participate in and supervise ESG-related matters, perfect the ESG governance architecture and management mechanism without cease, and actively propel the organic fusion between the ESG concept and the corporate development. In the future, the Board of Directors of the Group will continue to eye the ESG development trend and performance records of peers, assess related risks and opportunities, and update the management outline and strategy to ensure the ESG-related work will advance with the time. The Group will define annual ESG management objectives and corresponding implementation measures covering the utilization of resources, health, safety and aspects, regularly review the progress of related objectives and provide suggestions to promote the fulfillment of these objectives.

1.2 GROUP HONORS AND STAKEHOLDERS

1.2.1 Corporate Honor Overview

In 2023, the Test Center of the Group won the CNAS authentication certificate; the Group was shortlisted as the 2023 Shanghai Innovative Enterprise Headquarters, "Shanghai Key Service Unicorn (Potential) Enterprise List" and won the First Prize of Tianjin Science and Technology Progress Award. The wholly-owned subsidiaries Weiqi Medical, Weilang Medical and Nanjing SealMed Medical were rated as the National Technological Small and Medium Enterprises respectively; Nanjing SealMed Medical won the Jiangsu High & New Technology Enterprise and Jiangsu Private Technology Enterprise honors; and Weiming Medical won the "Specialized and Innovative Enterprise" honor in Lingang New District.

In terms of product honors, the Aspiration Catheter and Balloon Guiding Catheter were approved for the 2023 Shanghai Innovative Medical Devices Application Demonstration Project; the Balloon Guiding Catheter was rated as Shanghai Hi-tech Achievement Transformation Projects and included in Shanghai Innovative Products Recommended Catalogue; the Left Atrial Appendage (LAA) Occluder System was shortlisted in the "New Excellent Medical Devices" Product Catalogue of Shanghai Biopharmaceutics; the Aspiration Catheter was shortlisted in Shanghai Innovative Products Recommended Catalogue.

Environmental, Social and Governance Report (Continued)


ilac-MRA CNAS

中国合格评定国家认可委员会
实验室认可证书
（注册号：CNAS L18676）

兹证明：
上海心玮医疗科技股份有限公司测试中心
（法人：上海心玮医疗科技股份有限公司）
中国（上海）自由贸易试验区临港新片区正博路 356 号 38 幢第 1 层、第 3 层，201400

符合 ISO/IEC 17025：2017《检测和校准实验室能力的通用要求》（CNAS-CL01《检测和校准实验室能力认可准则》）的要求，具备承担本证书附件所列服务能力，予以认可。

获认可的能力范围见标有相同认可注册号的证书附件，证书附件是本证书组成部分。

生效日期：2023-07-14
截止日期：2029-07-13

中国合格评定国家认可委员会授权人 张朝华

中国合格评定国家认可委员会（CNAS）经国家认证认可监督管理委员会（CNCA）授权，负责实施合格评定国家认可制度。
CNAS是国际实验室认可合作组织（ILAC）和亚太认可合作组织（APAC）的互认协议成员。
本证书的有效性可登陆www.cnas.org.cn获认可的机构名录查询。


上海市创新型企业总部
上海心玮医疗科技股份有限公司
上海市战略性新兴产业领导小组办公室
2023年12月


为表彰天津市科学技术进步奖获得者，特颁发此证书。

天津市科学技术进步奖
证书

项目名称：急性脑卒中时效救治器械和智能康复设备创制及临床应用
奖励等级：一等
获奖者：上海心玮医疗科技股份有限公司

二〇二三年三月十三日
奖励编号：2022JB-1-020-D3


上海市重点服务独角兽企业证书

上海心玮医疗科技股份有限公司：

贵公司入选"2022年上海市重点服务独角兽企业"榜单
特发此证！

上海市企业服务云
二〇二二年十二月


高新技术企业
证书

企业名称：南京思脉德医疗科技有限公司
证书编号：GR202332020121
发证时间：2023 年 12 月 13 日
有效期：三年
批准机关：

Environmental, Social and Governance Report (Continued)

1.2.2 Stakeholder Engagement

The Group believes that maintaining communication with stakeholders is an important part of the Group's sustainable development. Stakeholders of the Group include shareholders/investors, customers, employees, suppliers as well as partners, governments and regulators, and the community and the public. The Group actively maintains communication with various stakeholders through various channels, and keeps abreast of their opinions and expectations on the Group's sustainable development performance.

Stakeholders	Expectations and Requirements	Way of Communication
Shareholders/investors	ESG governance Corporate governance Compliance operation	Shareholders' meeting Public information disclosure Investors communication
Customers	Quality Service and stable supply Price Innovation and R&D	Academic exchange Customer visit Market research
Employees	Health and safety Interest protection Personal development Diversity and equality	Internal communication Group system release Employee training
Employee training Suppliers and partners	Supply chain management Sustainable development Win-win cooperation	Supplier evaluation Supplier communication
Governments and regulators	Compliance operation Safe production Environmental protection	Policy implementation Information disclosure Communication and investigation
Community and the public	Public benefit Employment Environmental protection	Charitable activities Company information disclosure Media

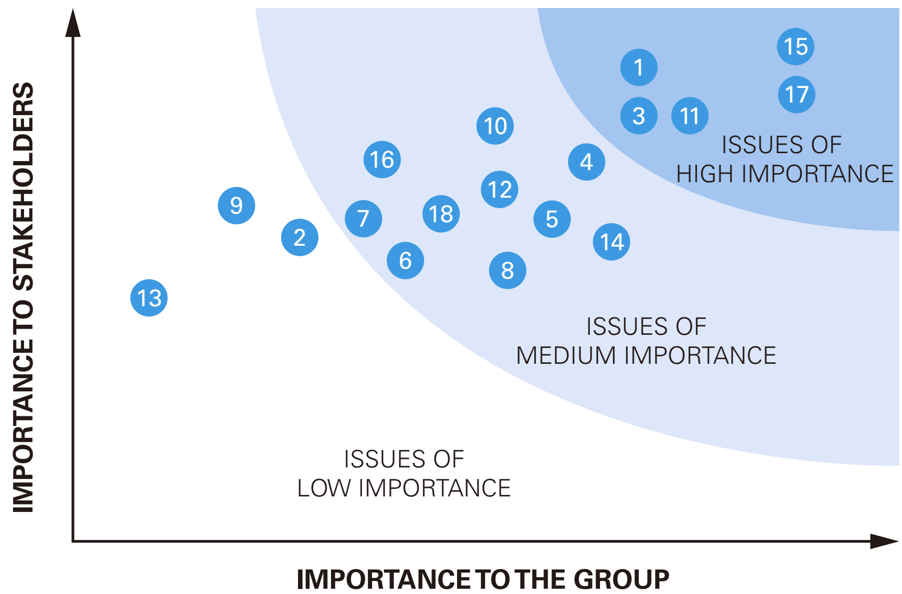
Environmental, Social and Governance Report (Continued)

1.2.3 Materiality Assessment

Based on the environmental and social aspects listed in the Environmental, Social and Governance Reporting Guide, the information collected from stakeholders, and the assessment of business materiality, the Group has established the following materiality matrix to demonstrate the areas of high importance to stakeholders and the Group.

RELATED TOPICS

1)	WASTE DISCHARGE	10)	EQUAL OPPORTUNITY FOR EMPLOYEES
2)	GREENHOUSE GAS EMISSION	11)	EMPLOYEE HEALTH AND WORKPLACE SAFETY
3)	WASTE MANAGEMENT	12)	EMPLOYEE DEVELOPMENT AND TRAINING
4)	ENERGY CONSUMPTION	13)	PREVENTION OF CHILD LABOR AND FORCED LABOR
5)	WATER CONSUMPTION	14)	SUPPLIER MANAGEMENT
6)	PAPER CONSUMPTION	15)	PRODUCT QUALITY AND CUSTOMER SATISFACTION
7)	ENVIRONMENTAL RISK MANAGEMENT	16)	CUSTOMER PRIVACY PROTECTION
8)	HUMAN RESOURCE MANAGEMENT	17)	ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING
9)	EMPLOYMENT AND COMPENSATION POLICY	18)	COMMUNITY INVESTMENT



Environmental, Social and Governance Report (Continued)

2 CORPORATE ENVIRONMENTAL PERFORMANCE ANALYSIS

2.1 CORPORATE EMISSION RELATED ANALYSIS

The Group follows the green development guide highlighting the rigorous control over pollutant emission and reduction of resource consumption, and is committed to minimizing the negative impacts on the natural environment and natural resources in daily operation and production. The Group strictly abides by relevant laws, regulations and standards as well as local environmental protection management measures, including the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Air Pollution, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Prevention and Control of Noise Pollution, the Comprehensive Emission Standards of Air Pollutants, the Energy Conservation Law of the People's Republic of China, the Comprehensive Discharge Standards of Sewage (DB31/199–2018), the Regulations of Shanghai Municipality on Domestic Waste Management, the Regulations of Shanghai Municipality on Energy Conservation, etc.

2.1.1 Analysis of Corporate Emission Related Indicators

Total emission volume and intensity of corporate exhaust

The exhaust produced by the Group's business due to the combustion of fossil fuels mainly includes nitrogen oxides (NO_x), sulfur oxides (SO_x) and suspended particulate matter (PM). In 2023, the Group emitted a total of approximate 29.7 kilograms of exhaust, with an emission intensity of approximate 12.7 kilograms/RMB100 million of revenue, representing a decrease of 24.9% compared with 2022.

The volume and intensity of the Group's emissions in 2023 by type of exhaust are shown in the table below:

Type of exhaust	Emissions (kg)	Emission intensity (kg/RMB100 million of revenue)
Nitrogen oxides (NO_x)	27.0	11.6
Sulfur oxides (SO_x)	0.1	0.0
Suspended particulate matter (PM)	2.6	1.1
Total	29.7	12.7

Note: Exhaust emissions mainly include the exhaust gas generated by the vehicles of the Group, and the Group does not generate exhaust gas in the actual production process.

Total emission volume and intensity of corporate greenhouse gases

The Group's business has caused direct and indirect emissions of greenhouse gases due to the consumption of fossil fuels and the use of resources such as electricity. In 2023, the Group emitted a total of approximate 2,530.0 tons of carbon dioxide equivalent, with an emission intensity of approximate 1,089.1 tons of carbon dioxide equivalent/RMB100 million of revenue.

Environmental, Social and Governance Report (Continued)

The Group's emissions in 2023 by type and source of greenhouse gases are shown in the table below:

Direct greenhouse gas emissions

Type of greenhouse gas	Emissions (ton of carbon dioxide equivalent)	Emission intensity (ton of carbon dioxide equivalent/ RMB100 million of revenue)
Carbon dioxide (CO_2)	6.48	2.79
Methane (CH_4)	0.01	0.00
Nitrous oxide (N_2O)	0.94	0.40
Total	7.43	3.19

Indirect greenhouse gas emissions

Indirect emission sources	Emissions (ton of carbon dioxide equivalent)	Emission intensity (ton of carbon dioxide equivalent/ RMB100 million of revenue)
Electricity resource usage	2,522.6	1,085.9
Total	2,522.6	1,085.9

Note: The direct emissions of greenhouse gases mainly include the greenhouse gases generated by the Group's own vehicles. The Group does not directly emit greenhouse gases in the actual production process.

Total discharge volume and intensity of corporate wastewater and solid waste

The Group upholds energy conservation and waste reduction, and strictly regulates the generation and discharge management of wastewater and solid waste in the production process and daily operations. In 2023, the wastes discharged by the Group mainly included 280 units of waste dry batteries, 3.2 tons of liquid hazardous waste (including 1.7 tons of waste liquids from laboratories and 1.5 tons of waste liquids from equipment cleaning), 4.3 tons of solid hazardous waste (including 3.05 tons of packages, gloves and cleaning cloth stained with chemicals, 1.2 tons of waste active carbon and 0.08 tons of waste cultures), 2.0 thousand sheets of office paper, 0.4 tons of cartons, 4.0 tons of household garbage, 690.0 cubic meters of production wastewater and 2,100.0 cubic meters of domestic sewage. In 2023, the Group strictly calculated the daily consumption of chemicals, accurately calculated the procurement demands, reduced the scrap rate of chemicals, ensured no waste and scrap in the use of chemicals, lowered safety risks as well as upgraded environmental protection requirements.

Environmental, Social and Governance Report (Continued)

The discharge volume and intensity of the Group's wastes by type in 2023 are shown in the table below:

Type of waste	Unit	
Hazardous waste		
Used dry battery	Unit	280
Hazardous waste — liquid	Ton	3.2
Hazardous waste — solid	Ton	4.3
Non-hazardous waste		
Office paper	'000 sheets	2.0
Cardboard box	Ton	0.4
Domestic waste	Ton	4.0
Production wastewater	Cubic meter	690.0
Domestic sewage	Cubic meter	2,100.0

Type of waste	Unit	Discharge intensity
Hazardous waste		
Used dry battery	Unit/RMB100 million of revenue	120.5
Hazardous waste — liquid	Ton/RMB100 million of revenue	1.4
Hazardous waste — solid	Ton/RMB100 million of revenue	1.9
Non-hazardous waste		
Office paper	'000 sheets/RMB100 million of revenue	0.9
Cardboard box	Ton/RMB100 million of revenue	0.2
Domestic waste	Ton/RMB100 million of revenue	1.7
Production wastewater	Cubic meter/RMB100 million of revenue	297.0
Domestic sewage	Cubic meter/RMB100 million of revenue	904.0

Environmental, Social and Governance Report (Continued)

2.1.2 Measures and Targets for Emission Reduction and Waste Reduction Implemented by the Corporate

Exhaust emission reduction targets and corresponding measures set by the corporate

The Group strictly abides by the laws and regulations, including the Environmental Protection Law of the People's Republic of China and the Comprehensive Emission Standard for Air Pollutants. The Group emits exhausts generated in the production process after the effective treatment with the environmental protection facilities, and the specific measures include the aerial discharge of coating exhaust, exhaust from welding, exhaust from drug spray and alcoholic cleaning after they are absorbed with the active carbon purification device, and include the aerial discharge of the exhaust from titration detection, chromatographic detection and etch polish after they are collected and treated with the alkali spray tower. At the same time, the Group engages inspection agencies to perform regular monitoring on the exhaust emission, and has found no discharge exceeding the standard.

Methods of handling waste, waste reduction goals and measures of the corporate

The Group always strictly abides by the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, the Regulations of Shanghai Municipality on Domestic Waste Management as well as other national and local laws and regulations on pollutant discharge management. The Group upholds the waste of resource recycling and deploys the reverse osmosis treatment system to recycle the ultrasonic cleaning media after acid pickling to reduce the quantity of generated hazardous wastes. The Group has established a waste management system, including requirements related to waste classification, recycling and reduction and encouraged employees to reduce paper waste, use office supplies reasonably and promote waste recycling and reuse.

The Group continues to monitor the disposal of the Group's wastes, to ensure effective run of the related environmental protection measures, and the compliant operation of the Group's business.

2.2 CORPORATE RESOURCE USE RELATED ANALYSIS

2.2.1 Structure of Corporate Consumption of Main Energies

The Group advocates the conservation of resources and energy, reduces the consumption of energy and raw materials, strengthens energy management, and raises the level of rational energy consumption, thereby reducing energy consumption and raw material consumption, and maximizing the recycling of energy and resources in the production process. The Group consumed approximate 2,746.1 liters of gasoline, approximate 3,135,000 kWh of electricity, and approximate 9,186.7 cubic meters of water resources in 2023.

The Group's consumption of energy by type in 2023 is shown in the table below:

Energy type	Unit	Consumption volume
Gasoline	liters	2,746.1
Electrical energy	0'000 kWh	313.5
Water	Cubic meter	9,186.7

Environmental, Social and Governance Report (Continued)

The Group's consumption intensity of energy by type in 2023 is shown in the table below:

Energy type	Unit	Consumption intensity
Gasoline	0'000 liters/RMB100 million of revenue	0.1
Electrical energy	0'000 kWh/RMB100 million of revenue	135.0
Water	Cubic meter/RMB100 million of revenue	3,954.7

Note: Gasoline consumption mainly includes the consumption by the Group's own vehicles.

All packaging materials of the Group's finished products by type of product packaging materials in 2023 are shown in the table below:

Product packaging material	Unit	Consumption volume
Plastic	Ton	1.3
Paper	Ton	7.0
PE foam	Ton	4.2

2.2.2 Energy Efficiency Goals and Measures Formulated by the Corporate

The Group controls energy use and improves resource efficiency through daily management across itself. The Group strictly abides by relevant laws and regulations, including but not limited to the Energy Conservation Law of the People's Republic of China and the Regulations of Shanghai Municipality on Energy Conservation, and is constantly exploring opportunities to optimize management methods and enhance energy efficiency. The Group strengthens the training and education of employees as to the awareness of energy conservation and encourages them to develop the habit of energy conservation in work and in life. At the same time, the Group uses energy-conserving lights, reasonably deploys lighting equipment and uses natural light sources to reduce unnecessary lighting hours and intensity. In addition, the Group regularly maintains and cleans the air conditioning system to ensure its normal operation, reasonably sets temperature and humidity, and avoids energy waste.

2.2.3 The Corporate's Methods to Obtain the Applicable Water Sources and Goals and Measures to Improve Water Efficiency

The Group regards water conservation as an environmental obligation that the Group needs to perform in the course of our business development. The Group installs clean water drinking equipment to reduce the use and waste of bottled water and barreled water. The Group posts the water conservation logo reminding employees to save water, and advocates secondary water use among employees to increase the utilization efficiency of water resources. The Group regularly inspects water-consuming equipment to avoid the waste of water resources caused by the equipment damage, renovates water facilities in water rooms and bathrooms, gradually eliminates water appliances and facilities that do not meet water-saving standards, and mounts and uses water-saving faucets and toilets that meet national standards.

Environmental, Social and Governance Report (Continued)

2.3 CORPORATE ENVIRONMENT AND NATURAL RESOURCES RELATED ANALYSIS

2.3.1 Analysis of the Significant Impact of Corporate Business Activities on the Environment and Natural Resources and Related Measures

As a socially responsible public company, the Group is keenly aware that environmental protection is a fundamental social responsibility in the enterprise development. Upon various policies, measures and actions, the Group has rooted environmental awareness at all levels. The Board of Directors of the Group is responsible for supervising the establishment of the ESG strategies and policies, and the Administration Department is responsible for daily work related to climate change. We carry out business operation in strictly compliance with relevant national environmental protection policies and emission standards.

2.4 ANALYSIS OF CORPORATE RESPONSE TO CLIMATE CHANGE

2.4.1 Significant Climate-related Issues or Policies Affecting the Group, and Responsive Actions to Be Taken

The Group is highly aware of the material impacts of climate change on the corporate operation and human health. The Group incorporates the climate change into daily management. As far as physical risks are concerned, we mainly pay attention to acute physical risks such as extreme weather events, including lightening, earthquake, rainstorm and typhoon, which will affect the production plan, product delivery, working environment, commutation of employees, transport, supply chain and other aspects to varying degrees. To this end, the Group has made specific emergency plans to ensure the normal production activity. Meanwhile in the course of the operations, the Group continuously and actively identifies the risks that climate change may bring to the operations and the possible impacts we may have on climate and the environment in our own operations, and constantly improves our response actions and related policies.

3 CORPORATE SOCIAL RESPONSIBILITY ANALYSIS

3.1 ANALYSIS OF THE CURRENT SITUATION OF CORPORATE EMPLOYMENT

3.1.1 Employment Principles

The Group regards employees as the most valuable asset of the Company, and is committed to rendering employees with a diversified, fair and inclusive working environment. The Group strictly abides by the laws and regulations, including the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and the Special Rules on the Labor Protection of Female Employees. The Group has formulated a sound human resources management system, including the HeartCare Medical Employee Handbook. Also, we follow the fair practices related to remuneration and performance, promotion and dismissal, working hours, welfare systems, equal opportunity, diversity, anti-discrimination, and other benefits to regulate employee management and safeguard legitimate rights and interests of employees. While pursuing our own development, the Group continues to optimize our talent management philosophy and create a better working atmosphere for our employees.

Environmental, Social and Governance Report (Continued)

3.1.2 Remuneration Management

The Group strictly abides by the Social Insurance Law of the People's Republic of China, the Regulations on the Administration of Housing Provident Fund as well as other relevant laws and regulations, and has formulated the Compensation and Benefit System, aiming to offer a sound salary guarantee system for our employees. Out of ensuring fairness and transparency of the remuneration management, the Group elaborates on the remuneration level and scope by formulating the "Reference Table of Employee Rank and Remuneration Level", and divides the posts and remunerations into different grades and intervals subject to the status quo and the medium and long-term development needs, so as to further ensure the systematization of our remuneration system and the standardization and rationalization of our employee career development channels. The comprehensive remunerations of the Group's employees are principally composed of fixed salary, bonuses (including performance bonus, intellectual property bonus, project bonus, production attendance bonus, sales performance commission bonus, advanced employee bonus), allowances (including meal allowance, mission allowance, technical allowance, management allowance, special post allowance and other allowances), short-term incentives and long-term incentives to demonstrate our respect and acknowledgment of talent values. In addition, the Company provides discretionary welfares such as welfare holiday, physical examination, gift pack/gift card for festival, marriage gift and birth gift, in addition to statutory welfares. Every year, the Group initiates the remuneration adjustment and stock incentive plans, makes the stock incentive plans in accordance with the development status in the year, and counts backbone talents who will be awarded shares.

3.1.3 Performance Management

The Group has formulated the Performance Management System in the employee handbook to standardize and improve the Group's performance management system. The Performance Management System clearly describes the responsibilities of each department responsible for performance management and specific performance appraisal methods. Each department will develop detailed quarterly and annual assessment indicators based on employee development status, and grant promotion and salary adjustment opportunities based on the assessment results. The human resources and administration departments of the Group are responsible for the design, optimization and counterpart management of the performance management plan as well as the management and closed loop of the entire performance flow, then, they will empower the business managers and provide performance management tools and methods, and business managers will set monthly performance objectives and annual performance objectives based on employees' status, working status and employee communication, and make the performance improvement plan based on assessment results to promote the achievement of objectives. The Group's performance appraisal method is oriented to performance results, adheres to the principles of fairness and impartiality, and follows the principles of effective and continuous communication, providing the Group's employees with opportunities to work with their superiors to formulate plans and improve performance.

3.1.4 Promotion and Dismissal

The Group places a high priority on the career development of our employees and is committed to offering career growth opportunities for our employees through a sound promotion mechanism. Each department sets the monthly and annual performance objectives in accordance with the working status and employee development status, and provides promotion channels for employees in accordance with monthly and annual performance evaluation results every year.

Environmental, Social and Governance Report (Continued)

The Group clearly defines the processes and systems related to dismissal in the labor contract and Employee Handbook, and handles dismissal-related matters on the basis of transparency and fairness. The Group strictly abides by relevant national laws and regulations, relevant terms and labor contracts, and provides employees with corresponding severance pay to ensure compliance and rationality of operations.

3.1.5 Working Hours

With a view to safeguarding rights and interests of the employees and creating a humanized working atmosphere for them, the Group establishes a perfect "Attendance Management System" based on relevant regulations of the labor department and working mode needs of employees shouldering different functions, and also clearly defines the working hours, ensures employees' right to rest and guarantees good working order in the Employee Handbook. All employees are subject to one of the standard working hour system and the irregular working hour system in line with the situation of their actual working departments. The standard working hours of the Group are 40 hours per week, usually 8 hours per working day; employees work five days a week with two days off.

3.1.6 Benefits and Leaves

The Group is also committed to enhancing employee satisfaction through a variety of independent enterprise benefits on the basis of a sound remuneration and performance system for our employees. Pursuant to applicable laws and regulations, the Group contributes statutory social insurance and housing provident fund and extends corresponding statutory benefits to our employees on time. The Group has also set up a comprehensive equity incentive plan to grant reasonable corporate stocks to its backbone talents. In order to enhance the humanization of the corporate benefits system, the Group has established corporate self-determined benefits, including front-line post subsidy, employee physical examination, wedding gift, maternity gift, commercial insurance, birthday and holiday benefits, employee lunch subsidy, employee activities, etc. Meanwhile, the Group has established the Leave Management Regulations in the employee handbook, which provides employees with various leaves including annual leave, sick leave, personal leave, marriage leave, funeral leave, maternity leave, breastfeeding leave, and nursing leave.

3.1.7 Employee Activities

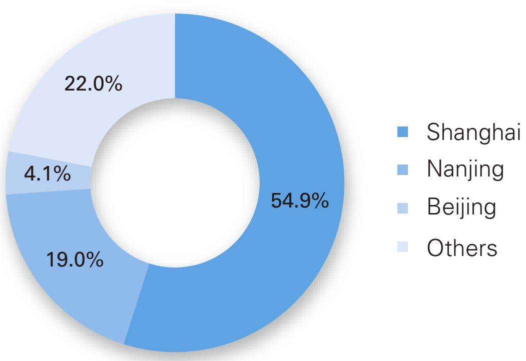
The Group cares for the physical and mental health of employees. By establishing an employee care mechanism and organizing a series of employee activities, we enhance the sense of belonging of employees, strengthen the cohesion of the enterprise, and promote the formation of a good and harmonious working atmosphere. The Group organizes regular and irregular exchange activities, including but not limited to department gatherings, annual meetings, etc., so as to further increase mutual understanding among employees, enrich the lives of employees, develop a healthy and positive corporate culture, and advocate the spirit of a happy and harmonious teamwork. The Group seriously follows opinions of our employees and arranges recreational activities that can mobilize employees' vitality in a timely manner according to their feedback, aiming at creating a warm and inclusive working environment for our employees and continuously enhancing their sense of belonging and corporate cohesion.

3.1.8 Employee Satisfaction Survey

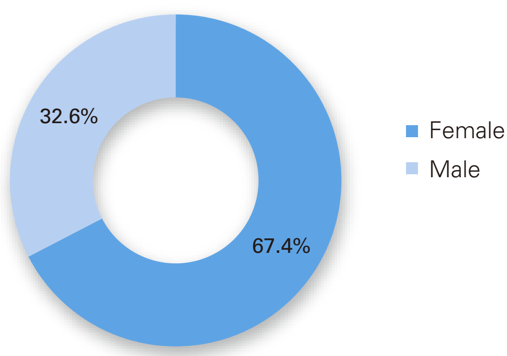
In order to create a more friendly working environment and optimize corporate management, the Group has established a range of communication channels for our employees to express their suggestions and ideas in a timely manner. Employees can put forward reasonable suggestions by mail, WeChat or DingTalk or through superiors. And meanwhile, the Group has formulated the "Reward System for Employee Proposals for Improvement", which details the rights and interests owned by employees and specific ways and means of making proposals, so as to further encourage employees to put forward constructive proposals on operations of the Group and our corporate culture construction. The Group irregularly asks employees for their opinions on work and operations in different ways, such as written or oral communication, and keeps it confidential to improve the management of the Group and further enhance employee satisfaction.

3.1.9 Employee Employment Status

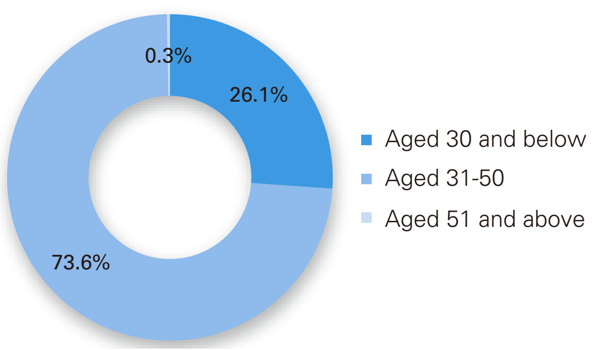
Percentages of on-the-job employees of the Group by major indicators in 2023



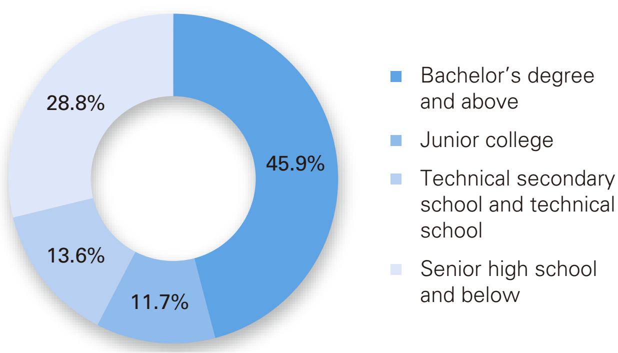
Work area



Gender



Age



Education Background

Environmental, Social and Governance Report (Continued)

As of December 31, 2023, the Group had a total of 368 current employees, of which 202 were located in Shanghai, accounting for 54.9% of the total. Divided by gender, the majority of the Group's current employees are female employees, accounting for 67.4% of the total. Divided by age, employees aged 30 and below, aged 31–50 and aged 51 and above account for 26.1%, 73.6% and 0.3% respectively. While introducing vibrant freshmen into the collective, the Group also cherishes experienced employees. Divided by educational degree, employees having a college degree or above account for 45.9% of the total employees of the Group, and the overall scientific literacy and cultural level of the employees are relatively high.

3.1.10 Employee Turnover

Employee turnover of the Group in 2023 is shown in the table below:

Employee turnover rate	%	32.1%
Divided by gender		
Male	%	42.6%
Female	%	25.5%
Divided by age		
Aged 30 and below	%	37.3%
Aged 31–50	%	30.2%
Aged 51 and above	%	0.0%
Divided by work area		
Shanghai	%	38.0%
Nanjing	%	12.5%
Beijing	%	16.7%
Others	%	31.4%

As of December 31, 2023, the total number of employees leaving the Group during the reporting period was 174, and the total employee turnover rate was 32.1%. Among them, divided by gender, the turnover rate of male employees was 42.6%, and the turnover rate of female employees was 25.5%. Divided by age, the turnover rate of employees aged 30 and below was 37.3%, the turnover rate of employees aged 31–50 was 30.2%, and there was no turnover of employees aged 51 and above. Divided by work area, the employee turnover rate in Shanghai was 38.0%, and the employee turnover rates in Nanjing, Beijing and other regions were 12.5%, 16.7% and 31.4%, respectively.

Environmental, Social and Governance Report (Continued)

3.2 EMPLOYEE HEALTH AND SAFETY OVERVIEW

The Group attaches importance to the health and safety of our employees, and strictly abides by laws and regulations such as the Production Safety Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, and the Fire Protection Law of the People's Republic of China. The Group has also standardized in the employee handbook the employees' work and smoking behavior in the office environment, to create a safe and healthy working environment for employees. As the production process of the Group's products involves chemical products and special equipment, the Group also strictly abides by the Regulations on the Safety Management of Hazardous Chemicals, the Regulations on Safety Supervision of Special Equipment and other relevant laws and regulations. The Group regularly organizes safety training covering fire safety, knowledge of hazardous chemicals and production safety for our employees to enhance their safety awareness. Meanwhile, the Group regularly improves our corporate emergency management mechanism in order to establish a more complete employee health and safety management system. From 2021 to 2023, no employees of the Group died in the line of duty, resulting in zero lost workday due to work-related injuries.

3.2.1 Production Safety

The Group always puts the safety of employees in the production process in an important position, and strictly implements the safety management and control in the production process. To ensure employee safety in the production process, the Group has formulated a production safety management manual defining safety management responsibilities of the managers at all levels, and strictly conducts safety training for relevant employees before their taking up posts to help them identify and avoid risk factors in the production process. The Group regularly inspects and maintains production equipment and conducts safety inspections on production sites to ensure the safety of production equipment, and takes corresponding measures in time against any safety hazard identified. As our production process involves chemical products and special equipment, the Group strictly abides by the Regulations on Safety Management of Hazardous Chemicals, Regulations on Safety Supervision of Special Equipment as well as other relevant laws and regulations. At the same time, the Group keeps in place the special safety management organization in accordance with the requirements of the Production Safety Law of the People's Republic of China and other laws and regulations. The EHS Management Department is responsible for the safety, environmental protection, occupational health and other related matters in the operation process of the Company, and the Group has launched the EHS Working Group to supervise the implementation of safety and environmental protection measures.

3.2.2 Fire Safety

In order to ensure the fire safety of the Group's workplaces, the Group has placed special fire prevention and fire protection equipment in our offices and production sites, and has set up clear emergency evacuation route maps in the main passages. Meanwhile, the Group requires all employees to receive emergency evacuation training at the workplace, understand emergency passages and emergency measures, and receive training on relevant fire protection knowledge to ensure the popularization of fire protection knowledge within the Group and the health and safety of the Group's employees. In 2023, the Group organized the trainings on the EHS basic knowledge, extinction of early fire, evacuation and escape, and conducted a fire emergency drill in accordance with the emergency plan.

Environmental, Social and Governance Report (Continued)

3.2.3 Employee Health Care Measures

During the reporting period, the Group purchased commercial insurances as the supplementary medical insurance to provide a medical guarantee for them in addition to the medical insurance stipulated by the State. At the same time, the Group organizes a uniform annual physical examination for employees at the fixed time of every year, promoting them to pay more attention to their physical health.

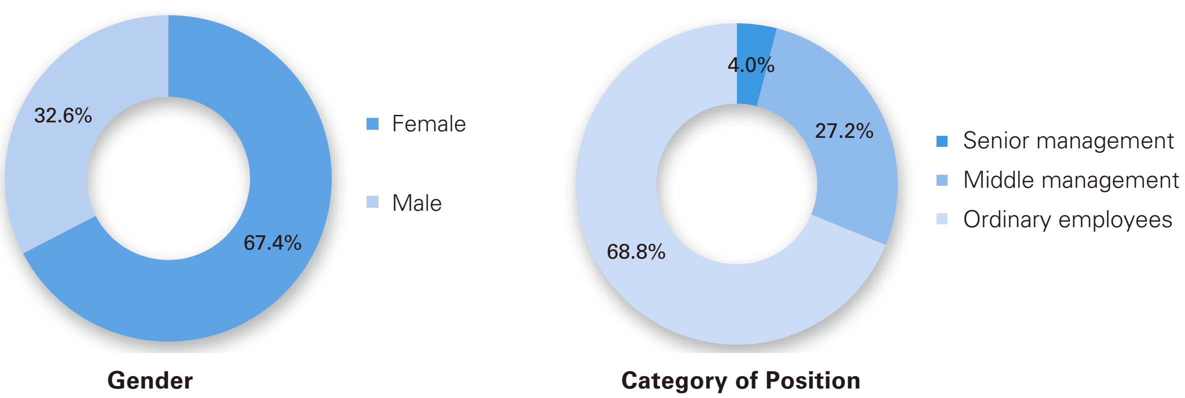
3.3 EMPLOYEE DEVELOPMENT AND TRAINING OVERVIEW

In order to promote talent development, the Group has built a systematic training system for our employees, and combined employee training with the Group's development strategy, so that employees in various positions can grow together with the Group according to their individual needs. The Group has developed a detailed training management system in the Employee Handbook, which stipulates and expounds on important links such as training demand analysis, training plan, training implementation, training process and training evaluation, so as to facilitate employees' understanding of training-related matters and establish a sound training system. The Group encourages employees to continuously update and expand their knowledge, skills and experience, and is committed to helping employees achieve personal career planning and development while improving their professional quality.

For new employees, the Group regularly organizes growth training camps for them and adopts the "mentor-apprentice" model to help them grow. The Group's training system includes internal training and external training: internal training includes job qualification training, job transfer training, job coaching, etc., to promote employees to develop professional skills and better achieve performance goals; external training includes holding short-term seminars, employee academic education, management training courses and relevant knowledge and skills training in various departments, etc., to help employees update and expand their knowledge and skills, and realize their personal career development plans. The main training topics in 2023 cover basic microbial knowledge training, hygiene management, disinfection and sterilization training, strategic consensus training, medical device management quality and standard training, domestic medical device registration training, raw material quality standards and SOP preparation and writing, identification and response to intellectual property risks of medical devices, and medical device life-cycle sharing, etc.

3.3.1 Trained Employees

Percentages of trained employees of the Group by major indicators in 2023



Environmental, Social and Governance Report (Continued)

As of December 31, 2023, the total number of trained employees of the Group was 368. Divided by gender, female employees accounted for 67.4% of the total trainees. Divided by position, ordinary employees were the main group receiving training, accounting for 68.8%.

3.3.2 Average Training Time for Employees

Average training hours for the employees of the Group in 2023 are shown in the table below:

Average training time per employee	38.7 hours
Divided by gender	
Male	42.4 hours
Female	37.0 hours
Divided by position	
Senior management	83.6 hours
Middle management	58.7 hours
Ordinary employees	28.2 hours

Average training time per employee of the Group in 2023 was 38.7 hours, of which, the average training time per male employee and per female employee was 42.4 hours and 37.0 hours respectively. Divided by position, the average training time for each ordinary employee was 28.2 hours, and the average training time for middle management and senior management was 58.7 hours and 83.6 hours, respectively.

3.4 GUIDELINES AND MEASURES TO PREVENT CHILD LABOR OR FORCED LABOR

The Group insists on legal employment and strict examination in the employment process, and puts an end to child labor and any form of forced labor. The Group strictly complies with relevant legal requirements such as the Law on the Protection of Minors and the Provisions on the Prohibition of Child Labor, and adheres to the attitude and position of zero tolerance towards any form of child labor and forced labor. To this end, the Group has established the preventive measures, including: the human resources department checks the identity card of an employee when he or she is admitted, verifies his or her true age and creates a sound personnel archive. The Group has established the appeal and complaint mechanism, and when finding a violation of the Company's policies, laws and regulations, a person can directly report to the director of the Human Resources Department, and the Group will take a timely action to investigate the fact. The Group also requires the elimination of such phenomena in the audits of suppliers. The Group selects appropriate candidates through strict information audit and background checks by third-party institutions to fully ensure legal compliance of employment. The human resources and administration departments of the Group also ensure that the supporting documents concerning candidate employees have been seriously screened and checked. If any suspected violations are found, the Group adheres to a zero-tolerance attitude and handles the violations in a timely and serious manner.

Environmental, Social and Governance Report (Continued)

3.5 ANALYSIS OF THE CURRENT SITUATION OF OPERATION MANAGEMENT

3.5.1 Supplier Overview

The regional distribution of the Group's suppliers in 2023 is shown in the table below:

Total number of suppliers	Number	143
Divided by region		
PRC	%	86.7%
Regions outside of the PRC	%	13.3%

Note: PRC includes Shanghai, Jiangsu, Guangdong, etc.; regions outside of the PRC include U.S., etc.

3.5.2 Procurement Management

The Group formulates a group-wide "Procurement Management System", and implements supply chain management according to the procurement control process to ensure procurement quality and standardization. The Group sets up a quality regulation department to charge the quality acceptance of raw and auxiliary materials for production, packaging materials, non-disposable R&D consumables and other products, and to control the overall procurement quality. And the Group requires the business demand department to conduct sufficient research on the market in which the procured products or services are originated, and to evaluate product or service providers before finalizing the suppliers.

By integrating information systems, the Group realizes centralized management and supervision of procurement information, limited improvement in efficiency and transparency of procurement management, as well as strengthened control over supplier information. Meanwhile, the Group promptly tracks and handles procurement quality. For nonconforming products or services, the business department will give timely feedback to the suppliers, follow up the quality countermeasures and implement the corresponding solutions.

3.5.3 Supplier Management

To strengthen supplier management, the Group formulates the "Eligible Supplier Management System" to standardize the supplier management process and ensure the management of qualified suppliers conforms to the requirements of the Group's quality system. The policy elaborates the responsibilities of the departments involved in supplier management, defines suppliers in detail, classifies and controls the products or services provided by such suppliers according to their impact on the quality of final products of the Group.

The Group inspects the supplier's products or services by means of reviewing supplier data, requesting samples, conducting on-site inspection, and obtaining information from a second party to determine qualified suppliers who are qualified and capable to provide materials or outsourcing services meeting the requirements of the Group. According to requirements for different suppliers, the Group is responsible for requiring suppliers to provide audit materials such as ISO13485, clean workshop certificates, enterprise self-inspection reports, and biosafety assessment to ensure the quality and safety of suppliers' products or services. In 2023, the Group implemented relevant supplier employment management system practices to all 143 suppliers we cooperate with.

The Group conducts regular performance management on the qualifications of qualified suppliers, and the specific methods adopted include reviewing qualifications, rectifying and tracking the quality, delivery time or completion time and price of products or services provided by the suppliers, after-sales service support and adverse events as well as supplier on-site audit, annual comprehensive performance, etc. The annual corporate comprehensive performance review methods include supplier on-site assessment and supplier self-assessment. For nonconforming items found during the review process, the Group will promptly require suppliers to rectify within a given period, and will evaluate the effect of rectification after the rectification is completed.

In the process of supplier management and supply chain management, the Group actively pays close attention to environmental and social risks in all links of the supply chain. The supply chain management department is responsible for the background investigation against all suppliers, and the investigation covers whether a supplier violates the environmental protection regulation. Meanwhile, the Group regards a supplier's environmental protection as one of the standards for selecting a supplier, further confirms whether the supplier pays attention to environmental protection through a field survey or visit based on actual business needs in a move to reduce the environmental and social risks of all links of the supply chain.

In screening suppliers, the Group sees the potential environmental and social risks a supplier may pose as an important consideration. The Group prefers to cooperate with suppliers who pay attention to environmental protection, ensures products or services are friendly with the environment by preferably choosing suppliers who have passed the ISO14001 certification for the purpose of promoting them to use environment-friendly products and services. In addition, the Group regularly reviews relevant qualifications of the suppliers to review and ensure the environmental protection awareness of cooperating suppliers. For suppliers that may pose a significant negative impact on the environment and the society, the Group adopts the strategy of switching suppliers in time to ensure sustainable development of its supply chain.

3.6 PRODUCT LIABILITY OVERVIEW

3.6.1 Health and Safety of Products and Services

For the purpose of ensuring health and safety of our products and services, the Group establishes a sound product quality management system, strives to penetrate quality management into every link of our production and operation, and wholeheartedly renders customers with quality services and products. A product at the design and development stage will experience the initiation, input review, sample review, design review I and design review II stages. At this stage, the Group follows the guide of the risk management plan, and performs the quality safety assessment at the design and development stage, and the assessment basically covers the sample verification, biocompatibility test, animal experiment, design verification, clinical trial, shelf life, sterilization verification and process confirmation to ensure the product quality will be assured at the design and development stage. After the post-marketing stage, the Group will follow the guide of the quality control plan, define the quality control points and control methods for the product, implement the quality control in daily production in accordance with the relevant verified operating instruction, and conduct annual risk assessments for mass-produced products every year to ensure the product safety and quality. The Group strictly abides by relevant laws and regulations on product health and safety, advertising, labeling and remedies that pose a significant impact on the Group, including but not limited to the Regulations on the Supervision and Administration of Medical Devices, the Product Quality Law of the People's Republic of China, the Safety Production Law of the People's Republic of China, the Advertising Law of the People's Republic of China and the Trademark Law of the People's Republic of China. The Group has established a comprehensive internal quality

Environmental, Social and Governance Report (Continued)

management system in strict accordance with the ISO13485: 2016 standard, the Specifications on Production Quality Management of Medical Devices and relevant appendices, as well as defined our quality management objectives, and conducted life-cycle product management from design and development, material procurement, production, inspection, release and sales to quality and safety after listing, ensuring the safety and effectiveness of each listed product.

To strengthen effective quality control over the whole chain of product production and operation, the Group has established the "Control Procedures for Product Monitoring and Measurement" in accordance with the demand for product quality control and the legal provisions of relevant regulators. For the entire quality appraisal process, the relevant responsible quality engineer will set the raw material appraisal item, appraisal item for production process and appraisal item for finished product, and then the quality inspector will confirm all items conform to the requirements in accordance with document requirements before release. And meanwhile, in order to ensure the safety of products to users, patients and other people during the actual use, the Group has established the "Domestic Adverse Event Monitoring, Re-evaluation and Product Recall System" as regulated by relevant regulatory agencies, and has developed perfect management measures against possible recalls after products are launched.

Furthermore, in order to ensure effectiveness of the internal quality management system and explore potential problems in time, the Group confirms the suitability, adequacy and effectiveness of our quality management system through internal audits, third-party audits and management reviews, so as to lay a stable system foundation for our product quality assurance and continuously optimize the quality management system. In 2023, the Group did not encounter any circumstances where sold or shipped products had to be recalled for safety and health reasons.

3.6.2 Customer Complaints

While ensuring product quality and safety, the Group also regards safeguarding rights and interests of customers and improving customer satisfaction as the key goals pursued by us, and strives to solve customer problems efficiently and better satisfy their demands through a perfect complaint and feedback system. In order to closely manage and monitor whether our products meet customer demands, the Group has established the "Feedback and Complaint Handling Control Procedures", which specifies in detail such significant links as departmental responsibility allocation, complaint methods, complaint deadlines, complained product protection, complaint handling, improvement measures and record keeping, thereby ensuring effective operations of the complaint and feedback system. The Marketing Department, Quality Regulation Department, Technology Department and Production Operation Department of the Group have the responsibility to accept and handle the received customer complaints in a timely manner, and give customers effective responses and appropriate solutions after mastering the facts and conducting thorough investigations. In the meantime, the Group will investigate and track the customer satisfaction degree of complaint resolution after that, and seek opinions from customers on the handling results in time to ensure that the arising complaints are perfectly resolved. In 2023, the Group carried out internal analysis of all customer complaints about our commercialized products on sale, and fed back to customers, all of which have been accepted by the customers.

Environmental, Social and Governance Report (Continued)

3.6.3 Intellectual Property Management

The Group places a high priority on intellectual property management, and strictly abides by the laws and regulations related to intellectual property management, including but not limited to the Patent Law of the People's Republic of China, Copyright Law of the People's Republic of China and the Implementation Rules of the Patent Law of the People's Republic of China. The Group has formulated the Intellectual Property Manual in accordance with national laws and regulations and the actual conditions and revised it once every two years. The Group has set up an intellectual property department, which works to, including without limitation to, establish the intellectual property strategy, track relevant intellectual property information of rivals and analyze intellectual properties of rivals to avoid infringements. The Group has formulated the "Incentive Policies for HeartCare Medical Patents", aiming to promote the protection of intellectual property rights by means of reward. The Group has designed our own patented product matrix or operation system to promote the intellectual property protection. Now, the Group has established the management system that conform to the national standard GBT29490–2013 Corporate Intellectual Property Right Management Code, and won the honor of the "Pilot Unit of Patent Work among Shanghai Enterprises and Institutions".

3.6.4 Customer Information Protection and Privacy Policy

The Group strictly abides by relevant laws and regulations such as the Personal Information Protection Law of the People's Republic of China, the Data Security Law of the People's Republic of China and the Cybersecurity Law of the People's Republic of China, and takes strict measures to protect our own information and technology resources as well as data privacy related to the interests of the Group and our stakeholders. The Group regulates the code of conduct of our employees through the Employee Handbook, and implements a confidentiality system for all employees, who must sign the confidentiality agreement, strictly fulfill their confidentiality obligations and severely abide by corporate secrets. Meanwhile, the Group trains our employees on customer privacy protection and data security to ensure that such employees are clearly aware of the corporate systems and processes in terms of customer privacy protection. And the Group conducts regular reviews of the initiatives related to customer data protection and privacy protection to ensure strict compliance with relevant laws and regulations and timely optimization of relevant initiatives.

3.7 BRIEF ANALYSIS OF CORPORATE ANTI-CORRUPTION MEASURES

The Group always strictly abides by applicable laws and regulations related to anti-corruption, anti-bribery, and anti-money laundering, including but not limited to the Anti-Money Laundering Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and relevant applicable laws and regulations of the place of operation. As a provider of high-quality medical devices, the Group values anti-corruption efforts highly. To this end, the Group has developed and executed strict internal control mechanisms. Moreover, the Group has developed anti-corruption-related systems and codes of conduct through the Employee Handbook and formed the "Anti-Corruption and Anti-Commercial Bribery Systems" to strengthen control over anti-corruption practices. And in the system, the Group has made provisions for a variety of behaviors and anti-corruption initiatives to strengthen the anti-corruption management and ensure an upright and transparent internal environment at the Company. The Board of Directors of the Group is the supreme organ that decides on the compliance management of the Company and assumes the primary responsibility for the effectiveness of compliance management. The Group promotes the board's and employees' awareness and compliance with applicable anti-corruption and anti-commercial bribery laws and regulations by providing training to them, and requires the group representatives who have close business communication with medical professionals to receive regular compliance training. In 2023, there was no corruption lawsuit against the Group and our employees.

Environmental, Social and Governance Report (Continued)

Meanwhile, the Group has established an effective whistle-blowing and reporting mechanism, and the internal audit department of the Group is responsible for monitoring and tracking incidents. The Group adheres to a zero-tolerance attitude towards any kind of corruption. For employees who violate this system or the supplementary guidelines, they will be disciplined base on relevant facts. If the circumstances are serious, their employment relationship will be terminated and their legal responsibilities will be investigated into. The Group will continuously strengthen the internal management and supervision mechanisms and also continuously improve the legal awareness and moral levels of our employees in an effort to eliminate violations from the root.

3.8 CORPORATE COMMUNITY INVESTMENT OVERVIEW

As an enterprise concerned about social responsibility, the Group has always been committed to making the utmost of our own resources, conveying love and kindness to the society, shouldering corporate social responsibility through practical actions, and maximizing corporate social influence while realizing supreme business development. The Group will participate in community investment activities in terms of health, medical care, education, environmental protection and other fields for a long time. While adhering to our corporate mission and devoting better medical products and technologies for the majority of medical workers and patients, we will actively serve and repay the society and make our utmost efforts to contribute to the health of all mankind. The following are the major achievements of the Group in terms of community investment in 2023:

Keeping in mind the enterprise mission and promoting popular science education at the grassroots level

Bearing in mind the enterprise mission and adhering to the concept of "treating brain and heart together to prevent stroke", the Group regards the popular science of stroke prevention knowledge as our major duty. With a view to effectively implementing popular science, the Group cooperated with the Red Bracelet Volunteer Unit of Chinese Stroke Association to carry out the popular science volunteer activities for stroke prevention and control on the "Love Brain Action" in 2023, and went deep into the grassroots to post, place or distribute the publicity materials related to cerebrovascular disease prevention and control in public open areas such as medical institutions, community neighborhood committees or cultural activity centers of villages, stations and groups.

Report of Directors

The Board of Directors is pleased to submit this report together with the audited financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the research, development, manufacturing and sale of neuro-interventional medical devices. The activities of the Company's subsidiaries are set out in Note 1 to the financial statements.

An analysis of the Company's revenue and operating profit for the year by principal activities is set out in the section headed "Management's Discussion and Analysis" in this annual report and the statement of loss and comprehensive loss in the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising a discussion and analysis of the Group's performance during the year, a description of the principal risks and uncertainties facing the Company, particulars of important events affecting the Group that have occurred since the end of the financial year, and an indication of likely future development in the business of the Group are provided in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Report of Directors" of this annual report. Discussions on the Group's environmental policies and performance, the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its stakeholders that have a significant impact on the Group and on which the Group's success depends, are provided in the sections headed "Environmental, Social and Governance Report", "Report of Directors" and "Corporate Governance Report" of this annual report. All such discussions form part of this report.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 99 of this annual report.

FINAL DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended December 31, 2023. (2022: nil).

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

DONATIONS

The Group did not make any charitable and other donations during the Reporting Period (2022: RMB1.7 million).

SHARE CAPITAL

Details of the shares issued in the year ended December 31, 2023 are set out in Note 27 to the financial statements.

Report of Directors (Continued)

ISSUE OF SHARES AND DEBENTURES

For information on the Company's issue of shares, please refer to the paragraph headed "Use of Proceeds from Listing" in Management Discussion and Analysis of this report.

The Company did not have any debentures in issue for the year ended December 31, 2023.

The Company proposed to apply to the relevant PRC authorities for the potential issuance of A shares to be listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange and has extended the validity period of the shareholders' authorization of the proposed listing to November 7, 2024.

DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company did not have any distributable reserves. (2022: nil)

BANK LOANS AND OTHER BORROWINGS

The Group did not have any outstanding bank loans or other borrowings as at December 31, 2023 (December 31, 2022: RMB5 million).

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 year.

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.

FINANCIAL SUMMARY

A summary of the Company's results and assets and liabilities for the last five financial years are set out in the section headed "Financial Summary" of this annual report. This summary does not form part of the audited financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Except the Shares purchased by the trustee at the Company's instruction pursuant to the 2021 H Share Incentive Scheme as disclosed in the section headed "Share Incentive Scheme" in this annual report, the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Report of Directors (Continued)

SHARE SCHEMES

Saved as the 2021 H Share Incentive Scheme disclosed below, neither the Company nor its subsidiaries had any share scheme during the year ended December 31, 2023.

SHARE INCENTIVE SCHEME

The 2021 H Share Incentive Scheme

The Shareholders have adopted the 2021 H Share Incentive Scheme by a special resolution on November 1, 2021 (and further amended the 2021 H Share Incentive Scheme by ordinary resolution on June 10, 2022). The following is a summary of the principal terms of the 2021 H Share Incentive Scheme. Please refer to the Company's circulars dated October 11, 2021 and April 11, 2022 for further information.

(a) Purpose of the Share Award Scheme

The purposes of the 2021 H Share Incentive Scheme are (i) to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company; (ii) to deepen the reform on the Company's remuneration system and to develop and constantly improve the interests balance mechanism among the Shareholders, the operational and executive management; and (iii) to (a) recognize the contributions of the leadership of the Company including the Directors; (b) encourage, motivate and retain the leadership of the Company whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (c) provide additional incentive for the leadership of the Company and long standing employee by aligning the interests of the leadership of the Company to those of the Shareholders and the Group as a whole.

(b) Participants

Any individual who is a Director, senior management, key operating team member, employee, or, a consultant of the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award (as defined below) pursuant to the 2021 H Share Incentive Scheme is not permitted under the laws and regulations (including the relevant PRC laws and the Listing Rules) or where, in the view of the Board or the Delegatee (as defined below), in compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the 2021 H Share Incentive Scheme and such individual shall therefore be excluded therefrom (an "Eligible Participant").

(c) Awards

An award of H Shares (the "Award Share(s)") pursuant to the 2021 H Share Incentive Scheme (the "Award(s)") granted by the Board to participants ("Selected Participant(s)") who are Eligible Participants. In determining the Selected Participants, the Board may take into consideration matters including the present and expected contribution of the relevant Selected Participant to the Group. A grant shall be made by an Award letter to each Selected Participant, specifying the Grant Date, the manner of acceptance of the Award, the value of the Award and/or number of Award Shares underlying the Award (with the basis on which the number of Award Shares underlying the Award is arrived at), the vesting criteria and conditions, and the Vesting Date and such other details as might be required. Any price to be paid in relation to the grant shall be determined by the Delegatee with the authorization of the Board at their discretion. The Selected Participants may be required to pay a specific per Award Share amount at the time of grant (or at such other time) as stipulated in the grant letter for each Award.

Report of Directors (Continued)

(d) *Term*

Subject to any early termination of the 2021 H Share Incentive Scheme pursuant to its rules, the 2021 H Share Incentive Scheme shall be valid and effective for 10 years commencing from November 1, 2021 (after which no Awards shall be granted), and thereafter for so long as there are non-vested Award Shares granted under the 2021 H Share Incentive Scheme prior to the expiration of the 2021 H Share Incentive Scheme, in order to give effect to the vesting of such Award Shares. The remaining life of the scheme is approximately 8 years.

(e) *Vesting*

The Board or the Delegatee may determine the vesting criteria and conditions or periods for the Awards to be vested.

(A) Vesting Schedule

Unless otherwise specified in an Award letter, and subject to the vesting conditions set out in the 2021 H Share Incentive Scheme rules, two types of Awards may generally be granted, (i) 3-year Awards which shall be granted before December 31, 2024 and which shall vest at the end of the third complete financial year after the grant (in relation to Awards of not more than 2,700,000 H Shares); and (ii) 1-year Awards shall be vested on June 30 of the year following the year of grant (which shall be granted in the first quarter of each of 2022, 2023, 2024 and 2025 for not more than 100,000 H Shares in 2022 and 300,000 H Shares for each of the subsequent year). The specific commencement and duration of each vesting period and the actual vesting amount of the Award granted to a Selected Participant for the respective vesting periods shall be specified in the Award Letter approved by the Board or the Delegatee.

The vesting periods of the Awards granted under the 2021 H Share Incentive Scheme or the Awards to be satisfied by the application of any Award Shares which were not vested and/or are lapsed, canceled or forfeited shall be determined by the Board or the Delegatee in its sole and absolute discretion, and shall in any event not extend beyond the then remaining term of the Award Period at the time of grant.

(B) Vesting Conditions

Vesting of the Award granted under the 2021 H Share Incentive Scheme is subject to the conditions of the performance indicators of the Company and any other applicable vesting conditions (such as payment of a vesting amount by the Selected Participant) as set out in the Award letter.

The details of the performance indicators of the Company (if any) shall be determined by the Board or the Delegatee from time to time with reference to the business performance and financial condition of the Company and the then market conditions and shall be set out in the Award letter. If the Selected Participant fails to fulfil the vesting conditions applicable to the relevant Awards, all the Award Shares underlying the relevant Awards which may otherwise be vested during the respective Vesting Periods shall not be vested and become immediately forfeited with respect to such Selected Participant.

The Trustee (as defined below) shall be instructed to release the Award Shares to a Selected Participant upon satisfaction of the conditions on the applicable vesting date.

(f) *Restriction on Grant of Awards*

No grant of any Award Shares to any Selected Participant may be made and no directions or recommendations shall be given to the Trustee (as defined below) with respect to a grant of an Award under certain circumstances including:

(i) where the requisite approval from any applicable regulatory authorities or Shareholders has not been granted;

(ii) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the 2021 H Share Incentive Scheme;

(iii) where such Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;

(iv) where such grant of Award would result in a breach of the 2021 H Share Incentive Scheme Limit;

(v) after the expiry of the Award period or after the earlier termination of the 2021 H Share Incentive Scheme;

(vi) where any Director is in possession of unpublished inside information (as defined under the Securities and Futures Ordinance, the "SFO") in relation to the Company or where any Director reasonably believes there is inside information which must be disclosed pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO or where dealings by Directors are prohibited under any code or requirement of the Listing Rules or any applicable laws, rules or regulations;

(vii) during the period of 60 days immediately preceding the publication date of the annual results of the Group or, if shorter, the period from the end of the relevant financial year up to the publication date of such results; and

(viii) during the period of 30 days immediately preceding the publication date of the quarterly or half-year results of the Group or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of such results.

Report of Directors (Continued)

(g) *General and Maximum Limit*

The maximum number of H Shares which may be granted under the 2021 H Share Incentive Scheme is 3,000,000 H Shares, representing approximately 9.5% and 7.7% of the Company's H Shares and total issued share capital as of the date of this report, respectively. As of January 1, 2023 and December 31, 2023, the total number of Shares available to be awarded under the 2021 H Share Incentive Scheme is 2,717,300 Shares and 2,703,900 Shares, respectively. Awards under the 2021 H Share Incentive Scheme shall be granted in accordance with the applicable Listing Rules and each Selected Participant shall not have unvested Awards exceeding 1% of the Company's issued share capital at the relevant time.

The 2021 H Share Incentive Scheme is administered by the Board, the management committee of the 2021 H Share Incentive Scheme or any other person or committee as the Board may delegate (a "Delegatee"). A trustee (the "Trustee") has been appointed by the Company for the purpose of administering the trust underlying the 2021 H Share Incentive Scheme, who shall, amongst other things, acquire H Shares to be granted to Selected Participants through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the 2021 H Share Incentive Scheme rules. No new H Shares may be allotted and issued pursuant to the 2021 H Share Incentive Scheme. Neither the Selected Participant nor the Trustee may exercise any voting rights attached to any H Shares held by the Trustee under the Trust (including any Award Shares that have not yet vested).

Set for below are particulars of the Awards granted pursuant to the 2021 H Share Incentive Scheme:

	Date of grant	Number of awards					
		As of January 1, 2023	Granted during the Reporting Period	Exercised and/ or vested during the Reporting Period	Cancelled during the Reporting Period	Forfeited/ lapsed during the Reporting Period	As of December 31, 2023
Employees of the Group[1]	January 1, 2022[2]	282,700	—	—	—	47,200	235,500
	June 30, 2023[3]	—	223,460	—	—	162,860	60,600
Sub-total		**282,700**	**223,460**	**–**	**–**	**210,060**	**296,100**

Notes:

(1) The employees does not consist of Directors or the five highest paid individual of the Group during the Reporting Period.

(2) Subject to vesting conditions including fulfillment of the grantee's individual performance target of achieving a B grading or above for all personal evaluations between the date of grant and vesting, 100% of Awards granted to each grantee shall be vested and awarded on December 31, 2024.

(3) The Awards granted during the Reporting Period was granted on June 30, 2023, and the closing price of the Shares immediately before the grant date was HK$32.6 per Share. As a condition to acceptance of the Award, each Grantee is required to pay RMB22 per Share at a time to be agreed with the Company. The fair value representing the Award granted were approximately RMB2.96 million (RMB13.25 each) based on the accounting standards and policies as set for in the Company's annual report. Subject to vesting conditions including fulfillment of the grantee's individual performance target of achieving a B grading or above for all personal evaluations between the date of grant and vesting,100% of Awards granted to each grantee shall be vested and awarded on December 31, 2025.

Report of Directors (Continued)

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended December 31, 2023 and up to the date of this report were:

Executive Directors

Mr. WANG Guohui *(Chairman, Chief executive officer)*
Ms. ZHANG Kun *(Deputy general manager)*
Mr. WEI Jiawei *(Deputy general manager)*

Non-executive Directors

Mr. DING Kui
Mr. CHEN Shaoxiong
Mr. CHEN Gang *(appointed on November 8, 2023)*

Independent Non-executive Directors

Mr. GUO Shaomu
Mr. FENG Xiangqian
Mr. GONG Ping

SUPERVISORS

Mr. JIANG Xinbei
Ms. JIANG Xue
Mr. XING Tingyu *(resigned on November 8, 2023)*
Mr. XUE Zongyu *(appointed on November 8, 2023)*

The Company has received written confirmation from all Independent Non-executive Directors regarding their independence as required under Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

CHANGES IN DIRECTORS' INFORMATION

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

Report of Directors (Continued)

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as disclosed in this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director, a Supervisor and any entity connected with them had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management are set out from page 18 to 27 of this annual report.

Report of Directors (Continued)

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

As at December 31, 2023, the interests and short positions of the Directors, the Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests of directors, supervisors and chief executive in the Company

Name of Director/ Supervisor/Chief Executive	Class of Shares	Capacity	Number of Securities/ Nature of Shares Held	Approximate Percentage of Shareholding in Total Issued Share Capital of the Company	Approximate Percentage of Shareholding in Relevant Class of Shares
Wang Guohui[1]	Unlisted Shares	Beneficial Owner and Interest in controlled corporation	3,188,110/ Long Position	8.21%	43.86%
	H Shares		8,152,618/ Long Position	20.99%	25.83%
Ding Kui	Unlisted Shares	Beneficial Owner	782,908/ Long Position	2.02%	10.77%
	H Shares		782,908/ Long Position	2.02%	2.48%
Zhang Kun[2]	Unlisted Shares	Beneficial owner and Interest of Spouse	1,566,488/ Long Position	4.03%	21.55%
	H Shares		1,566,488/ Long Position	4.03%	4.96%

Notes:

(1) Mr. Wang Guohui directly holds 1,915,690 Unlisted Shares and 1,915,690 H Shares. Mr. Wang acts as the general partner of Ningbo Meishan Bonded Port Area Xinwei Investment Management Partnership (LP) (寧波梅山保税港區心瑋投資管理合夥企業(有限合夥)) ("Xinwei Investment") and Shanghai Zandaqian Enterprise Management Consulting Center (上海贊大乾企業管理諮詢中心) ("Shanghai Zandaqian") acts as the general partner of Ningbo Meishan Bonded Port Area Kaiyuan Investment Management Partnership (LP) (寧波梅山保税港區楷遠投資管理合夥企業(有限合夥)) ("Kaiyuan Investment"), Shanghai Weiyun Enterprise Management Consulting Partnership (LP) (上海瑋鋆企業管理諮詢合夥企業(有限合夥)) ("Weiyun Shanghai") and Shanghai Weiyu Enterprise Management Consulting Partnership (LP) (上海瑋鈺企業管理諮詢合夥企業(有限合夥)) ("Weiyu Shanghai"). Shanghai Zandaqian is a sole proprietorship wholly owned by Mr. Wang. By virtue of the SFO, Mr. Wang Guohui is deemed to be interested in the Shares in which Xinwei Investment, Kaiyuan Investment, Weiyu Shanghai and Weiyun Shanghai are interested in and Shanghai Zandaqian is deemed to be interested in the Shares in which Kaiyuan Investment, Weiyu Shanghai and Weiyun Shanghai are interested in.

Report of Directors (Continued)

(2) Ningbo Tongchuangsuwei Investment Partnership (LP) (寧波同創速維投資合夥企業(有限合夥)) ("Tongchuangsuwei") directly holds 869,330 Unlisted Shares and 869,330 H Shares. Ms. Zhang Kun directly holds 697,158 Unlisted Shares and 697,158 H Shares. Mr. Chai Yanpeng, as the general partner of Tongchuangsuwei, is the spouse of Ms. Zhang Kun. By virtue of the SFO, Mr. Chai Yanpeng is deemed to be interested in the Shares in which Ms. Zhang Kun and Tongchuangsuwei is interested in and Ms. Zhang Kun is deemed to be interested in the Shares in which Mr. Chai Yanpeng is interested in.

Save as disclosed above and to the best knowledge of the Directors, the Supervisors and chief executive of the Company, as at December 31, 2023, none of the Directors, the Supervisors or chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at December 31, 2023, to the best knowledge of the Directors, the following persons (not being a Director, a Supervisor, or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Class of Shares	Capacity	Number of Securities/ Nature of Shares Held	Approximate Percentage of Shareholding in Total Issued Share Capital of the Company	Approximate Percentage of Shareholding in Relevant Class of Shares
Ms. Zhang Yanxia[1]	Unlisted Shares	Interest of spouse	3,188,110/ Long Position	8.21%	43.86%
	H Shares		8,152,618/ Long Position	20.99%	25.83%
Shanghai Zandaqian Enterprise Management Consulting Center[2]	Unlisted Shares	Interest in controlled corporation	496,183/ Long Position	1.28%	6.83%
	H Shares		4,777,225/ Long Position	12.30%	15.13%
Ningbo Meishan Bonded Port Area Xinwei Investment Management Partnership (LP)[2]	Unlisted Shares	Beneficial owner	776,237/ Long Position	2.00%	10.68%
	H Shares		1,459,703/ Long Position	3.76%	4.62%

Report of Directors (Continued)

Name of Shareholders	Class of Shares	Capacity	Number of Securities/ Nature of Shares Held	Approximate Percentage of Shareholding in Total Issued Share Capital of the Company	Approximate Percentage of Shareholding in Relevant Class of Shares
Ningbo Meishan Bonded Port Area Kaiyuan Investment Management Partnership (LP)(2)	H Shares	Beneficial owner	1,277,192/ Long Position	3.29%	4.05%
Shanghai Weiyu Enterprise Management Consulting Partnership (LP)(2)	Unlisted Shares	Beneficial owner	496,183/ Long Position	1.28%	6.83%
	H Shares		700,033/ Long Position	1.80%	2.22%
Shanghai Weiyun Enterprise Management Consulting Partnership (LP)(2)	H Shares	Beneficial owner	2,800,000/ Long Position	7.21%	8.87%
Mr. Chai Yanpeng(3)	Unlisted Shares	Interest in controlled corporation and Interest of spouse	1,566,488/ Long Position	4.03%	21.55%
	H Shares		1,566,488/ Long Position	4.03%	4.96%
Ningbo Tongchuangsuwei Investment Partnership (LP)(3)	Unlisted Shares	Beneficial owner	869,330/ Long Position	2.24%	11.96%
	H Shares		869,330/ Long Position	2.24%	2.75%
SDIC Unity Capital National Emerging Industry Venture Capital Guiding Fund (LP)(4)	Unlisted Shares	Beneficial owner	906,220/ Long Position	2.33%	12.47%
	H Shares		906,220/ Long Position	2.33%	2.87%
Temasek Life Sciences Private Limited(5)	H Shares	Interest in controlled corporation	1,627,907/ Long Position	4.19%	5.16%
Fullerton Management Pte Ltd.(5)	H Shares	Interest in controlled corporation	1,627,907/ Long Position	4.19%	5.16%
Temasek Holdings (Private) Limited(5)	H Shares	Interest in controlled corporation	1,767,907/ Long Position	4.55%	5.60%
LYFE Columbia River Limited(6)	Unlisted Shares	Beneficial owner	152,599/ Long Position	0.39%	2.10%
	H Shares		2,899,373/ Long Position	7.47%	9.19%

Report of Directors (Continued)

Name of Shareholders	Class of Shares	Capacity	Number of Securities/ Nature of Shares Held	Approximate Percentage of Shareholding in Total Issued Share Capital of the Company	Approximate Percentage of Shareholding in Relevant Class of Shares
LYFE Ohio River Limited(6)	Unlisted Shares	Beneficial owner	49,147/ Long Position	0.13%	0.68%
	H Shares		933,784/ Long Position	2.40%	2.96%
Raritan River Limited(6)	Unlisted Shares	Beneficial owner	65,116/ Long Position	0.17%	0.90%
	H Shares		1,237,210/ Long Position	3.19%	3.92%
LYFE Capital Fund III (Dragon), L.P.(6)	Unlisted Shares	Beneficial owner and Interest in controlled corporation	201,746/ Long Position	0.52%	2.77%
	H Shares		4,060,457/ Long Position	10.46%	12.86%
LYFE Capital Management Limited(6)	Unlisted Shares	Interest in controlled corporation	266,862/ Long Position	0.69%	3.67%
	H Shares		5,297,667/ Long Position	13.64%	16.78%

Notes:

(1) Ms. Zhang Yanxia is the spouse of Mr. Wang. By virtue of the SFO, Ms. Zhang Yanxia is deemed to be interested in the Shares in which Mr. Wang is interested in.

(2) Mr. Wang Guohui directly holds 1,915,690 Unlisted Shares and 1,915,690 H Shares. Mr. Wang Guohui acts as the general partner of Xinwei Investment and Shanghai Zandaqian acts as the general partner of Kaiyuan Investment, Weiyun Shanghai and Weiyu Shanghai. Shanghai Zandaqian is a sole proprietorship wholly owned by Mr. Wang. By virtue of the SFO, Mr. Wang is deemed to be interested in the Shares in which Xinwei Investment, Kaiyuan Investment, Weiyu Shanghai and Weiyun Shanghai are interested in and Shanghai Zandaqian is deemed to be interested in the Shares in which Kaiyuan Investment, Weiyu Shanghai and Weiyun Shanghai are interested in.

(3) Tongchuangsuwei directly holds 869,330 Unlisted Shares and 869,330 H Shares. Ms. Zhang Kun directly holds 697,158 Unlisted Shares and 697,158 H Shares. Mr. Chai Yanpeng, as the general partner of Tongchuangsuwei, is the spouse of Ms. Zhang Kun. By virtue of the SFO, Mr. Chai Yanpeng is deemed to be interested in the Shares in which Ms. Zhang Kun and Tongchuangsuwei is interested in and Ms. Zhang Kun is deemed to be interested in the Shares in which Mr. Chai Yanpeng is interested in.

(4) SDIC Unity Capital National Emerging Industry Venture Capital Guiding Fund (LP) (國投創合國家新興產業創業投資引導基金(有限合夥)) ("SDIC Unity Capital") directly holds 906,220 Unlisted Shares and 906,220 H Shares. SDIC Unity Capital is a limited partnership incorporated in the PRC, whose general partner is SDIC Unity Capital Corporation Limited (國投創合基金管理有限公司). State Development and Hi-tech Investment Corp. (國投高科技投資有限公司), a wholly-owned subsidiary of China SDIC Gaoxin Industrial Investment Corp., Ltd. (中國國投高新產業投資有限公司), which is in turn controlled by State Development & Investment Corporation (國家開發投資集團有限公司) is a substantial shareholder of SDIC Unity Capital.

Report of Directors (Continued)

(5) Elbrus Investments Pte. Ltd. ("Elbrus") directly holds 1,627,907 H Shares. Elbrus is a wholly-owned subsidiary of Temasek Life Sciences Private Limited, which is in turn a wholly-owned subsidiary of Fullerton Management Pte Ltd, which is a wholly-owned subsidiary of Temasek Holdings (Private) Limited. By virtue of the SFO, Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited are deemed to be interested in the 1,627,907 H Shares held by Elbrus. Aranda Investments Pte. Ltd. holds 140,000 H shares, which is controlled by Seletar Investments Pte Ltd. Seletar Investments Pte Ltd is controlled by Temasek Capital (Private) Limited. By virtue of the SFO, Temasek Capital (Private) Limited is deemed to be interested in the 140,000 H shares held by Aranda Investments Pte. Ltd.

(6) LYFE Columbia River Limited ("LYFE Columbia") directly holds 152,599 Unlisted Shares and 2,899,373 H Shares. LYFE Ohio River Limited ("LYFE Ohio") directly holds 49,147 Unlisted Shares and 933,784 H Shares. Raritan River directly holds 65,116 Unlisted Shares and 1,237,210 H Shares. LYFE Capital Fund III (Dragon), L.P. directly holds 227,300 H shares. LYFE Columbia and LYFE Ohio are controlled by LYFE Capital Fund III (Dragon), L.P., which was in turn controlled by LYFE Capital Management Limited. Raritan River Limited ("Raritan River") is controlled by LYFE Capital Management Limited, which is ultimately controlled by Mr. Zhao Jin (趙晉), an Independent Third Party. By virtue of the SFO, LYFE Capital Fund III (Dragon), L.P., is deemed to be interested in the Shares held by LYFE Columbia and LYFE Ohio while LYFE Capital Management Limited is deemed to be interested in the Shares held by LYFE Columbia, LYFE Ohio and Raritan River.

Save as disclosed above, as of December 31, 2023, the Directors were not aware of any persons (other than the Directors, the Supervisors or chief executive of the Company) who had interests and/or short positions in the shares or underlying Shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2023, the Group's sales to its five largest customers accounted for 79% (2022: 30%) of the Group's total revenue and our single largest customer accounted for 35% (2022: 10%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2023, the Group's five largest suppliers accounted for 18% (2022: 18%) of the Group's total purchases and our single largest supplier accounted for 6% (2022: 4%) of the Group's total purchases.

During the Reporting Period, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares of the Company) had any interest in the Group's five largest customers and suppliers.

During the year ended December 31, 2023, the Group did not experience any significant disputes with its customers or suppliers.

Report of Directors (Continued)

CONNECTED TRANSACTIONS

On December 11, 2023, the Company and Mr. Xing Tingyu, Mr. Li Meng, Value Magnet Limited and Shanghai Shenji Zhixin Enterprise Management Consulting Partnership (Limited Partnership) (the "Purchasers") entered into an equity transfer agreement pursuant to which the Company conditionally agreed to sell its entire equity interest in Shenji Medical to the Purchasers for an aggregate consideration of RMB9.0 million. Upon completion, the Company will cease to have any interest in Shenji Medical and it will cease to be a subsidiary of the Company. Value Magnet Limited is controlled by Mr. Ding Kui (a Director of the Company) and Ms. Li Jun (the spouse of Mr. Ding Kui) and therefore an associate of a connected person.

Since its inception, Shenji Medical has initiated research and development on potential robotics medical devices. As of the date of the agreement, none of the medical devices under development has advanced to late stage due to various unforeseen or unexpected difficulties that were encounter during the development process. The Group would have to commit significant resources to bring these medical devices into commercialization and there is no assurance that these products could be successfully developed and commercialized. Continued investment into Shenji Medical and its research and development effort would also further divert resources away from the Group's core business of neuro-intervention, medical devices. Therefore the Board considers that it is suitable to dispose of Shenji Medical by way of a management buy-out by existing employees backed by experienced investor in the biotechnology sector.

The Company will continue to enable internal resource allocated to the core business of the Group, focusing on the development and commercialization of medical devices in the field of neuro-intervention. The Group will continue to work on the pipeline products set out in this Annual Report, and does not expect that the Disposal will have a material adverse impact on the business operations and financial position of the Group.

For further details, please refer to the relevant announcement of the Company.

Saved as disclosed, during the year ended December 31, 2023, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in Note 33 to the financial statements. Saved as otherwise disclosed in this annual report, none of the related party transactions constitute a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this Annual Report, the Company has maintained the public float as required under the Listing Rules.

DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors, Supervisors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director or supervisor of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

MANAGEMENT CONTRACTS

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

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including employees, customers and suppliers 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.

For details of relationship with the employees, customers and suppliers, please refer to the subsection headed “Major Customers and Suppliers” and “Remuneration of Directors” in this section, as well as the section headed “Environment, Social and Governance Report”.

PERMITTED INDEMNITY PROVISIONS

Directors’, Supervisors’ and senior managements’ liability insurance is in place for the directors and supervisor of the Company and its subsidiaries in respect of potential costs and liabilities arising from claims that may be brought against the directors and supervisors during the reporting period.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Report of Directors (Continued)

Risks in relation to the substantial competition we face in discovering, developing or commercializing products.

The development and commercialization of new products is highly competitive. We face competition from major neuro-interventional medical devices producers worldwide. A number of companies in the global market currently market and sell neuro-interventional medical devices or are pursuing the development of such products for the treatment and prevention of stroke for which we are commercializing our products or developing our product candidates. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

The commercial success of our products depends upon the degree of market acceptance each of such products achieves. Neuro-interventional procedures are recently developed and introduced to the market. Our products for neuro-interventional procedures are relatively innovative and may not gain broad acceptance in the marketplace as anticipated. In addition, physicians, patients and third-party payors may prefer other novel products to ours. If our products do not achieve an adequate level of acceptance, we may not be able to generate significant product sales revenues and to achieve profitability. The degree of market acceptance of our products and product candidates depends on a variety of factors which may be beyond our control. If any products that we commercialize fail to achieve market acceptance among physicians, patients, hospitals, or others in the industry or if we fail to maintain good relationships with them, we will not be able to generate significant revenue.

Risks of there being a downward change in pricing of our products may have a material adverse effect on our business and results of operations.

We sell all of our products to distributors who resell our products to hospitals. We sell products to our distributors at the price determined by us from time to time. When determining the price of our products sold to distributors, we consider factors such as prices of competing products, our costs and differences in features between our products and competing products. Hospitals may gain more bargaining power depending on the availability of alternative products, demands of patients and the preference of physicians. If hospitals lower retail prices of our products and therefore reduce the profitability of our distributors, our distributors may have less incentive to purchase and promote our products, and we may need to lower the order price we set for our distributors.

Risks relating to net losses incurred by us since our inception.

Investment in medical device development is highly speculative. It entails substantial upfront capital expenditures and significant risk that a product candidate will fail to gain regulatory approval or become commercially viable. We continue to incur significant expenses related to our ongoing operations. Typically, it takes many years to develop one new product from the time it is designed to when it is available for commercial sales. If any of our product candidates fails in clinical trials or does not gain regulatory approval, or if approved, fails to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, maintain our R&D efforts, expand our business or continue our operations.

Risks relating to the highly regulated nature of the industry. Enacted and future legislation may also increase the difficulty and cost for us to obtain regulatory approval of and commercialize our product candidates.

In China and some other jurisdictions, a number of legislative and regulatory changes and proposed changes regarding healthcare could prevent or delay regulatory approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell our products and any product candidates for which we obtain regulatory approval. Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for medical devices. We cannot be sure whether additional legislative changes will be enacted, or whether NMPA regulations, guidance or interpretations will be changed, or what the impact of such changes on the regulatory approvals of our product candidates, if any, may be.

The medical device industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new devices. In recent years, the regulatory framework in China regarding the medical device industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialization of our product candidates in China and reduce the benefits we believe are available to us from developing and manufacturing neuro-interventional medical devices in China.

Risks relating to manufacture of our products. If we or any of our suppliers or logistics partners encounters manufacturing, logistics, or quality problems, including as a result of natural disasters, our business could suffer.

The manufacture of many of our products is highly complex and subject to strict quality controls, due in part to rigorous regulatory requirements. In addition, quality is extremely important due to the serious and costly consequences of a product failure. Problems can arise during the manufacturing process for a number of reasons, including equipment malfunction, failure to follow protocols and procedures, raw material problems, software problems, or human error. If problems arise relating to our manufacturing processes or if we otherwise fail to meet our internal quality standards or those of the NMPA or other applicable regulatory body, which include detailed record-keeping requirements, our reputation could be damaged, we could become subject to a safety alert or a recall, we could incur product liability and other costs, product approvals could be delayed, and our business could otherwise be adversely affected.

Report of Directors (Continued)

Risks relating to patent protection for our products and product candidates through intellectual property rights.

Our success depends in large part on our ability to protect our proprietary technology, products and product candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We seek to protect the technology, products and product candidates that we consider commercially important by filing patent applications in the PRC and other countries, relying on trade secrets or medical regulatory protection or employing a combination of these methods. This process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may also fail to identify patentable aspects of our R&D output before it is too late to obtain patent protection.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we license or own currently or in the future are to be issued as patents, they may not be issued in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. The patent position of medical device companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights can be highly uncertain.

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.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Company and the Group during the Reporting Period are set out in Note 14 to the consolidated financial statements.

REMUNERATION OF DIRECTORS

The emoluments of the Directors 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 emoluments of the Directors and five highest paid individuals are set out in notes 9 and 10 to the consolidated financial statements.

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

RETIREMENT BENEFITS PLAN

The employees of the PRC companies are members of the state-managed retirement benefits scheme operated by the PRC government. They are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. Pursuant to the relevant laws and regulations, the Group is not in a position to forfeit contributions to such scheme and thus no contributions has therefore been forfeited.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their respective holding of the Company's securities.

COMPLIANCE WITH THE 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 Reporting Period, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

SUBSEQUENT EVENTS

Saved as disclosed in the section headed "Management Discussion and Analysis" of this annual report, there were no subsequent events between the end of the Reporting Period and the date of this annual report that would have a material impact on the Group.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 28 to 45 of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS OF H SHARES

The annual general meeting of the Company will be held on Monday, May 20, 2024. A notice of convening the AGM and all other relevant documents will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.heartcare.com.cn, and dispatched to the Shareholders in the manner as required by the Listing Rules in due course.

The register of members of H Shares the Company will be closed from Saturday, April 20, 2024 to Monday, May 20, 2024 (both days inclusive), during which period no transfer of H Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, April 19, 2024.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and external auditors the accounting principles and policies adopted by the Company, the audited consolidated financial statements for the Reporting Period, and discussed internal control, risk management and financial reporting matters.

Report of Directors (Continued)

AUDITOR

The financial statements have been audited by Ernst & Young who will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment. Having been approved by the Board upon the Audit Committee's recommendation, a resolution for the reappointment of Ernst & Young as auditors of the Company for the ensuing year will be put to the forthcoming AGM for shareholder's approval.

Mr. WANG Guohui
Chairman and executive Director
Shanghai, PRC
March 28, 2024

Report of Supervisory Committee

In 2023, the supervisory committee of the Company exercised its supervision authority and performed its supervision responsibilities, in accordance with the Company Law, Articles of Association, the Rules of Procedure for the Supervisory Committee and other relevant internal systems, diligently and conscientiously. During the Reporting Period, the Supervisory Committee effectively supervised the Company's business activities, financial condition, major decisions, procedures for convening general meetings, and the performance of duties by directors and senior management, safeguarded the legitimate rights and interests of the Company and all shareholders, and promoted the Company's standardized operation and normal development. The main work of the Supervisory Committee in 2023 is reported as follows:

I. THE MEETINGS OF THE SUPERVISORY COMMITTEE

In 2023, the supervisory committee of the Company held four meetings in total. The convening of the Supervisory Committee meetings, as well as the content and signing of the resolutions were in compliance with the Company Law, the Securities Law, the Listing Rules and other relevant laws and regulations, and the Articles of Association and other relevant internal systems. There was no violation of laws by the Supervisory Committee to exercise its authority, and its operation was in good condition.

II. OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS OF THE COMPANY IN 2023

(I) The operation of the Company in accordance with law

During the Reporting Period, all members of the supervisory committee of the Company were in attendance at the general meetings and the meetings of the Board of Directors according to the authority conferred by laws and regulations and the Articles of Association, and effectively supervised the procedures for convening meetings of the Board of Directors and general meetings, the matters of the resolutions and the process of decision-making, the implementation by the Board of Directors of the resolutions of general meetings, the fulfillment of duties by the Directors and the senior management of the Company, the Company's internal control system and its lawfulness. All members of the supervisory committee of the Company also effectively supervised the truthfulness, accuracy, completeness and timeliness of disclosure of announcement information, and earnestly performed their duties and supervision responsibilities to practically safeguard the interests of the Company and the rights and interests of its shareholders. The Supervisory Committee believed that the procedures for convening general meetings and the meetings of the Board of Directors and resolutions were lawful and compliant, and the resolutions were effectively implemented; the internal control system of the Company was relatively sound and effectively implemented; the directors and senior management of the Company performed their duties faithfully and diligently in accordance with laws; and there was no violation of laws, regulations or the Articles of Association, or damage to the interests of the Company and infringement of rights and interests of the Shareholders.

Report of Supervisory Committee (Continued)

(II) Financial status of the Company

During the Reporting Period, the Supervisory Committee of the Company conducted a careful and meticulous inspection on the Company's financial status and considered that the Company's financial system was sound with compliant financial operation, and no illegal misappropriation or loss of the Company's assets was found. There was no occurrence of any situation that was detrimental to the interests of the Company and its shareholders. The Group's financial statements which comprise the consolidated balance sheets as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, and notes to the financial statements prepared in accordance with the International Financial Reporting Standards, have been audited by Ernst & Young, and unqualified audit opinions were given on the financial statements as a whole. The supervisory committee of the Company considered that the opinions and the matters involved in the audit report issued by Ernst & Young gave an objective and fair view on the Company's actual situation, and the financial report reflected the financial status and operation results of the Company truthfully, accurately and completely.

(III) Internal control of the Company

During the Reporting Period, the supervisory committee of the Company continuously strengthened the supervision of the soundness and effectiveness of the Company's internal control system and reviewed the establishment and operation of the Company's internal control system. The Supervisory Committee believed that the Company had established a relatively sound internal control system and effectively implemented the system, which met the requirements of relevant laws and regulations and the actual needs of the production and operation management of the Company; risk assessment and risk control were further implemented; and the Company's operation quality and management efficiency were continuously improved.

(IV) Implementation of resolutions of the Company's general meetings

During the Reporting Period, the Supervisory Committee supervised the implementation of the resolutions of general meetings. The Board of Directors has strictly followed the resolutions and authorizations of general meetings and earnestly implemented and completed the resolutions adopted at general meetings without violating or infringing the interests of shareholders.

(V) Performance of duties by directors and senior management

During the Reporting Period, the Directors and senior management were diligent in their duties and conducted operations in accordance with the law. There was no case of the Directors and senior management taking advantage of their positions to seek personal interests, and no irregularities in the performance of their duties were found. The Directors and senior management were honest and law-abiding, and performed their duties faithfully and diligently so as to ensure the realization of the Company's objectives and the normal conduct of all work.

Report of Supervisory Committee (Continued)

III. KEY TASKS OF THE SUPERVISORY COMMITTEE IN 2024

In 2024, in strict compliance with laws and regulations, and the internal system of the Company, the supervisory committee of the Company will continue to diligently and effectively perform various duties in a standardized way, supervise the performance by directors and senior management of their duties, strive to achieve new results in promoting the construction of a corporate governance system, and innovating and improving the internal supervision mechanism, promote the improvement in the corporate governance structure and standardized operation and management of the Company, and effectively safeguard and protect the legitimate rights and interests of the Company and all shareholders.

Shanghai HeartCare Medical Technology Corporation Limited
The Supervisory Committee
March 28, 2024

Independent Auditor's Report

31 December 2023

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 Shanghai HeartCare Medical Technology Corporation Limited

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai HeartCare Medical Technology Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 99 to 173, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), 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.

EY 安永

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets	
The Group had goodwill of RMB9,711,000 and intellectual properties recognised as intangible assets of RMB33,348,000 as disclosed in notes 16 and 17 to the consolidated financial statements as at 31 December 2023, arising from the acquisition of Nanjing SealMed Medical Technology Co., Ltd. in September 2020. The Group is required to perform an impairment test for goodwill at least on an annual basis. The impairment test is based on the recoverable amount of the cash-generating unit ("CGU") to which the goodwill and the intangible assets are allocated. The recoverable amounts are based on the value in use. Management established the impairment assessment model with the involvement of an external independent valuer and prepared a recoverable amount calculation to estimate the future cash flows taking into account key assumptions, including the estimated revenue growth rate, gross margin, terminal growth rate and discount rate, and management considered no impairment loss was necessary as at 31 December 2023 based on the impairment assessment performed.	1. We obtained an understanding of the key internal controls related to impairment assessment of goodwill and intangible assets; 2. We evaluated the competency, capabilities and objectivity of the external independent appraiser engaged by the Group to perform the valuation; 3. We evaluated management's identification of CGU to which the goodwill and the intangible assets from acquisition were allocated; 4. We assessed the reasonableness of management's future forecasted cash flows and key assumptions including the estimated revenue growth rate and gross margin by comparing to the Group's historical financial performance, development plan, budget and financial projections and analysis on the industry; 5. We involved our valuation specialist to assist us in assessing whether management's valuation model is appropriate by reference to industry practices and valuation techniques;

Independent Auditor's Report (Continued)

31 December 2023

EY 安永

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets (Continued)	
We considered this is a key audit matter given the significant management judgements and assumptions involved in the impairment assessment and because the estimation of the recoverable amount was subject to a high degree of estimation uncertainty. The Group's disclosures about the impairment test of goodwill and intangible assets are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates*, note 16 *Goodwill* and note 17 *Other intangible assets* to the financial statements.	6. We involved our valuation specialist to assist us in evaluating the appropriateness of the key valuation parameters such as the discount rate and the terminal growth rate applied by benchmarking market data and comparable companies; and 7. We also focused on the adequacy of the related disclosures in the consolidated financial statements.

Independent Auditor's Report (Continued)

31 December 2023

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Cut-off of research and development costs	
The Group incurred significant research and development ("R&D") costs of RMB123,831,000 in the consolidated financial statements for the year ended 31 December 2023. A large portion of the Group's R&D costs were service fees paid to third party service providers, including contract research organisations, clinical site management operators and clinical trial centres (collectively referred to as "Outsourced Service Providers"). The R&D activities with these Outsourced Service Providers were documented in detailed contracts and are typically performed over an extended period. Recording these costs in the appropriate financial reporting period based on the progress of the research and development projects involves estimation. The Group's disclosures about R&D costs are included in note 2.4 *Material accounting policies and* note 3 *Significant accounting judgements and estimates* to the financial statements.	1. We obtained an understanding of the key internal controls related to the accrual of the R&D costs; 2. We reviewed the key terms set out in the agreements with the Outsourced Service Providers; 3. 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, to determine whether these costs were recorded in the appropriate reporting period; 4. We performed cut-off tests on a sample basis and reviewed related supporting documents in relation to the recognition of R&D costs; and 5. We also performed search for unrecorded liabilities procedures subsequent to the year ended 31 December 2023.

Independent Auditor's Report (Continued)

31 December 2023

EY 安永

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

In preparing the consolidated financial statements, the directors 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.

Independent Auditor's Report (Continued)

31 December 2023

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

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.

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.

Independent Auditor's Report (Continued)

31 December 2023

EY安永

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

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.

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 Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**232,344**	183,032
Cost of sales		**(68,585)**	(58,699)
Gross profit		**163,759**	124,333
Other income and gains	5	**26,108**	35,321
Other expenses	6	**(12,916)**	(2,268)
Research and development costs		**(123,831)**	(153,693)
Selling and distribution expenses		**(79,246)**	(96,527)
Administrative expenses		**(74,636)**	(71,466)
Finance costs	8	**(2,158)**	(2,149)
Share of loss of an associate		**—**	(34,800)
LOSS BEFORE TAX	7	**(102,920)**	(201,249)
Income tax credit	11	**8,908**	865
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(94,012)**	(200,384)
Attributable to:			
Owners of the parent		**(94,012)**	(200,384)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	13	**(2.47)**	(5.24)

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Plant and equipment	14	**69,939**	83,345
Right-of-use assets	15	**68,572**	34,886
Goodwill	16	**9,711**	9,711
Other intangible assets	17	**37,708**	39,243
Prepayments, other receivables and other assets, non-current	20	**7,398**	12,952
Financial assets at FVTPL, non-current	22	**2,525**	400
Investment in an associate		**—**	—
Total non-current assets		**195,853**	180,537
CURRENT ASSETS			
Inventories	18	**146,039**	132,158
Trade receivables	19	**76,913**	25,350
Prepayments, other receivables and other assets, current	20	**53,205**	100,372
Financial assets at fair value through profit or loss ("FVTPL")	22	**98,934**	—
Cash and bank balances	21	**622,205**	870,122
Restricted cash	21	**8,096**	4,020
Total current assets		**1,005,392**	1,132,022
CURRENT LIABILITIES			
Trade and other payables	23	**51,779**	48,309
Interest-bearing bank borrowing		**—**	5,000
Lease liabilities, current	15	**4,911**	5,878
Government grants, current	24	**—**	1,467
Contract liabilities	25	**3,092**	6,852
Total current liabilities		**59,782**	67,506
NET CURRENT ASSETS		**945,610**	1,064,516
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,141,463**	1,245,053

continued/...

Consolidated Statement of Financial Position (Continued)

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities, non-current	15	**31,472**	39,809
Government grants, non-current	24	**33,895**	30,407
Deferred tax liabilities	26	**452**	9,360
Total non-current liabilities		**65,819**	79,576
Net assets		**1,075,644**	1,165,477
EQUITY			
Share capital	27	**38,834**	38,834
Treasury shares	27	**(48,999)**	(42,563)
Reserves	29	**1,085,809**	1,169,206
Total equity		**1,075,644**	1,165,477

Wang Guohui
Director

Zhang Kun
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	38,834	1,546,492	(21,185)	155,194	(346,784)	1,372,551
Loss and total comprehensive loss for the year	—	—	—	—	(200,384)	(200,384)
Equity-settled share award expense (note 28)	—	—	—	14,688	—	14,688
Shares purchased under 2021 H Share Incentive Scheme (note 27)	—	—	(21,378)	—	—	(21,378)
At 31 December 2022	38,834	1,546,492	(42,563)	169,882	(547,168)	1,165,477
At 1 January 2023	**38,834**	**1,546,492**	**(42,563)**	**169,882**	**(547,168)**	**1,165,477**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(94,012)**	**(94,012)**
Equity-settled share award expense (note 28)	**–**	**–**	**–**	**10,615**	**–**	**10,615**
Shares purchased under 2021 H Share Incentive Scheme (note 27)	**–**	**–**	**(6,436)**	**–**	**–**	**(6,436)**
At 31 December 2023	**38,834**	**1,546,492***	**(48,999)**	**180,497***	**(641,180)***	**1,075,644**

* These reserve accounts comprise the consolidated reserves of RMB1,085,809 (2022: RMB1,169,206) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(102,920)**	(201,249)
Adjustments for:			
Finance costs	8	**2,158**	2,149
Share of loss of an associate		**—**	34,800
Impairment of trade receivables	6	**930**	83
Impairment of inventories	6	**11,965**	451
Bank interest income	5	**(11,195)**	(15,144)
Fair value gains on financial assets at FVTPL	5	**(934)**	—
Gain on disposal of property, plant and equipment	5	**(84)**	—
Gain on disposal of a subsidiary	5	**(1,281)**	—
Depreciation of plant and equipment	7	**20,213**	22,479
Amortisation of other intangible assets	7	**4,860**	3,911
Depreciation of right-of-use assets	7	**7,186**	5,397
Income from government grants for plant and equipment		**(1,979)**	(1,467)
Foreign exchange differences, net		**(2,049)**	218
Equity-settled share award expenses	7	**10,615**	14,688
		(62,515)	(133,684)
Increase in inventories		**(25,846)**	(100,481)
Increase in trade receivables		**(52,493)**	(6,502)
Decrease/(increase) in prepayments and other receivables		**52,114**	(41,871)
Increase in trade and other payables		**4,986**	11,532
(Decrease)/increase in contract liabilities		**(3,760)**	3,595
Increase in deferred government grants		**—**	641
Cash used in operations		**(87,514)**	(266,770)
Income tax paid		**(892)**	—
Net cash flows used in operating activities		**(88,406)**	(266,770)

continued/...

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at FVTPL		**(100,125)**	(400)
Purchase of items of plant and equipment		**(4,576)**	(36,512)
Proceeds from disposal of items of plant and equipment		**965**	—
Placement of restricted cash of deposit for land-use-right		**—**	(4,020)
Purchase of items of other intangible assets		**(3,362)**	(725)
Withdrawal of restricted cash of deposit for land-use-right		**4,020**	—
Purchase of right-of-use assets		**(41,375)**	—
Placement of pledged bank deposit		**(8,034)**	—
Withdrawal of time deposits		**106,433**	130,788
Placement of time deposits		**(91,594)**	(30,000)
Interest received		**10,905**	16,307
Receipt of government grants for plant and equipment		**4,560**	4,200
Acquisition of investment in an associate		**—**	(34,800)
Disposal of a subsidiary	30	**(3,270)**	—
Net cash flows (used in)/from investing activities		**(125,453)**	44,838
CASH FLOWS FROM FINANCING ACTIVITIES			
Placement of restricted cash for share purchase		**(62)**	—
Proceeds from bank loans		**—**	20,730
Repayment of bank loans		**(5,000)**	(15,730)
Payment for interest on bank loan		**(30)**	(141)
Acquisition of non-controlling interests		**—**	(8,826)
Shares purchased under the 2021 H Share Incentive Scheme	27	**(6,374)**	(21,378)
Issue costs paid		**—**	(1,973)
Advance payments received for subscription of share awards granted		**389**	5,654
Rental deposits paid		**(36)**	—
Payment for lease liabilities		**(10,372)**	(3,089)
Net cash flows used in financing activities		**(21,485)**	(24,753)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(235,344)**	(246,685)
Cash and cash equivalents at beginning of year		**840,026**	1,086,711
Effect of foreign exchange rate changes, net		**901**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**605,583**	840,026

Notes to Financial Statements

31 December 2023

1. CORPORATE AND GROUP INFORMATION

Shanghai HeartCare Medical Technology Corporation Limited (the "Company") was incorporated in the People's Republic of China ("PRC") on 16 June 2016 as a limited liability company. On 3 December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The registered office and the principal place of the business of the Company is located at 1st and 3rd Floor, Building 38, No. 356, Zhengbo Road, Lingang New District, Pilot Free Trade Zone, Shanghai, the PRC.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 August 2021.

During the year, the Company and its subsidiaries (the "Group") were principally engaged in the research, development, manufacturing and sale of innovative medical devices.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Registered paid-in capital/ issued shares	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Weiming Medical Devices (Shanghai) Co., Ltd. ("Weiming")* (瑋銘醫療器械(上海)有限公司)	PRC/Chinese Mainland	RMB120,000,000	100%	—	Research and development and sale of medical devices
Nanjing SealMed Medical Technology Co., Ltd. ("SealMed")* (南京思脈德醫療科技有限公司)	PRC/Chinese Mainland	RMB100,000,000	100%	—	Research and development and sale of medical devices
Shanghai Weiqi Medical Devices Co., Ltd. ("Weiqi")* (上海瑋啟醫療器械有限公司)	PRC/Chinese Mainland	RMB120,000,000	100%	—	Research and development of medical devices
Shanghai Weilang Medical Technology Co., Ltd. ("Weilang")* (上海瑋琅醫療科技有限公司)	PRC/Chinese Mainland	RMB70,000,000	100%	—	Research and development of medical devices
Shanghai HeartCare Medical Co., Ltd. ("HeartCare Medical")* (上海心瑋醫療技術有限公司)	PRC/Chinese Mainland	RMB30,000,000	100%	—	Research and development of medical devices

Notes to Financial Statements (Continued)

31 December 2023

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Registered paid-in capital/ issued shares	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai HeartCare Technology Co., Ltd. ("HeartCare Technology")* (上海心瑋科技有限公司)	PRC/Chinese Mainland	RMB1,000,000	100%	—	Research and development of medical devices
Heartcare Medical (Hong Kong) Corporation Limited (心瑋醫療(香港)有限公司)	Hong Kong, PRC	USD100,000	—	100%	No operation
3V Medical, Inc.	United States of America	USD100,000	—	100%	No operation

* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all IFRSs, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at FVTPL. These financial statements are presented in Renminbi ("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 for the year ended 31 December 2023. 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).

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and Proceeds IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

Notes to Financial Statements (Continued)

31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

(a) Amendments to IAS 1 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 IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 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.

    Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset amounting to RMB7,265,000 for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability amounting to RMB7,265,000 for all taxable temporary differences associated with right-of-use assets as at 1 January 2022.

    The adoption of amendments to IAS 12 did not have any impact on the financial position or performance of the Group for the years ended 31 December 2023 and 2022.

Notes to Financial Statements (Continued)

31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

These issued but not yet effective IFRSs are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements (Continued)

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investment at fair value through profit or loss 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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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.

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

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial 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 profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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 profit or loss in the period in which it arises.

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.

Notes to Financial Statements (Continued)

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Plant and equipment and depreciation

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 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 plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to 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 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.

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

Leasehold improvements	Lease terms or 20%
Machinery and equipment	18% to 30%

Where parts of an item of 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 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 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 is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of 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 cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. 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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Intellectual properties

Intellectual properties are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years after commercialisation which is estimated based on the estimated lifecycle of the products, considering the lifecycle of medical device products in the market, current market competition and the current management development plan.

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.

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.

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 accumulated depreciation and any 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 terms and the estimated useful lives of the assets as follows:

Land-use-right	50 years
Plant and office premises	2 to 10 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.

Notes to Financial Statements (Continued)

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(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 lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented in a separate line item in the consolidated statement of financial position.

(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 offices (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 of 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.

Investments and other financial assets

Initial recognition and measurement

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

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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 IFRS 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.

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

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 profit or loss when the asset is derecognised, modified or impaired.

Notes to Financial Statements (Continued)

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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 profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

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 that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 120 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to Financial Statements (Continued)

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

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 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, or making reference to the credit loss experience of similar companies in the market where the Group has not had sufficient 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 loans and borrowings and 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 and other payables and interest-bearing bank borrowings.

Subsequent measurement

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

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing 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 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 profit or loss.

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 profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average 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.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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 Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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 MATERIAL 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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, 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.

Notes to Financial Statements (Continued)

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods 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.

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 IFRS 15.

(a) Sale of medical devices

Revenue from the sale of medical devices is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the medical devices or acceptance by the customer.

Some contracts for the sale of medical devices provide customers with rights of sales rebates, giving rise to variable consideration.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of medical devices (Continued)

(i) Sales rebates

Retrospective sales rebates may be provided to certain customers once the amount of products purchased during the period exceeds a threshold or the rank of credit exceeds a certain level specified in the contract. Rebates are offset against amounts payable by the distributor arising from its purchase or provided in the form of products. The most likely amount method is used to estimate the variable consideration. The selected method that best predicts the amount of variable consideration is primarily driven by the sales amount thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a liability for the expected future rebates is recognised in contract liabilities.

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).

Share-based payments

The Company operates share award schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted less the consideration received by the Group. The fair value of share awards is determined using the market approach or a binomial model. Further details are included in note 28 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 profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Notes to Financial Statements (Continued)

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

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 awards 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 award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Other employee benefits

Pension scheme

The employees of the Company and its subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The Company and these subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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 profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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 (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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.

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

Research and development costs are expensed in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised or expensed requires management to make assumptions and judgements regarding the technical feasibility of completing the intangible asset, future economic benefits and so forth. During the reporting period, all expenses incurred for research and development activities were expensed when incurred as it is uncertain whether future economic benefits can be generated.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Accrual of research and development costs

The Group relies on outsourced service providers to conduct, supervise, and monitor the Group's pre-clinical activities and clinical trials in the PRC. Determining the amounts of research and development costs incurred up to the end of each reporting period requires the management of the Group to estimate and measure the progress of receiving research and development services under the contracts with outsourced service providers using inputs such as the number of patient enrolments, time elapsed and milestone achieved.

Useful lives and residual values of plant and equipment

In determining the useful lives and residual values of items of plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is recognised if the estimated useful lives and/or the residual values of items of plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Impairment of non-financial assets (other than goodwill)

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.

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 profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 December 2022 and 2023 were RMB9,711,000 and RMB9,711,000, respectively. Further details are given in note 16 to the financial statements.

Notes to Financial Statements (Continued)

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 was RMB4,583,000 (2022: Nil). The amount of unrecognised tax losses at 31 December 2023 was RMB675,809,000 (2022: RMB624,117,000). Further details are contained in note 11 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

Segment information

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

During the reporting period, most of the Group's revenue was derived from customers located in Chinese Mainland and nearly all of the Group's non-current assets are located in Chinese Mainland, and therefore no geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

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

	2023 **RMB'000**	2022 RMB'000
Customer A	**81,720**	*
Customer B	**78,272**	*

* The corresponding revenue of the customers is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the year ended 31 December 2022.

Notes to Financial Statements (Continued)

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
Sale of medical devices	**232,344**	183,032

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Geographical markets		
Chinese Mainland	**231,273**	182,909
Others	**1,071**	123
Total	**232,344**	183,032
Timing of revenue recognition		
Goods transferred at a point in time	**232,344**	183,032

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:

	2023 RMB'000	2022 RMB'000
Sale of medical devices	**3,258**	3,257

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 devices

The performance obligation is satisfied upon transfer of the products to the logistics companies or acceptance by the customer. Payment is made in advance or due within 45 to 120 days from delivery. Some contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

An analysis of other income and gains is as follows:

	2023 RMB'000	2022 RMB'000
Other income		
Government grants (note)	11,211	11,876
Bank interest income	11,195	15,144
Others	—	3
Total other income	22,406	27,023
Gains		
Foreign exchange gains, net	1,403	8,298
Fair value gains on financial assets at FVTPL	934	—
Gain on disposal of items of property, plant and equipment	84	—
Gain on disposal of a subsidiary	1,281	—
Total gains	3,702	8,298
Total other income and gains	26,108	35,321

Note:

The government grants mainly represent subsidies received from local government authorities for the purpose of compensation for expenditure arising from research and clinical trial activities, awards for new medical device development and capital expenditure incurred on certain projects.

Notes to Financial Statements (Continued)

31 December 2023

6. OTHER EXPENSES

	2023 RMB'000	2022 RMB'000
Donation	—	1,722
Impairment of inventories	11,965	451
Impairment of trade receivables	930	83
Others	21	12
Total	12,916	2,268

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		68,585	58,699
Research and development costs		123,831	153,693
Impairment of inventories	6	11,965	451
Impairment of trade receivables	19	930	83
Depreciation of plant and equipment	14	20,213	22,479
Depreciation of right-of-use assets	15	7,186	5,397
Amortisation of other intangible assets	17	4,860	3,911
Government grants	5	(11,211)	(11,876)
Bank interest income	5	(11,195)	(15,144)
Fair value gains on financial assets at FVTPL	5	(934)	—
Lease payments not included in the measurement of lease liabilities		1,840	1,759
Auditor's remuneration		3,100	3,600
Employee benefit expenses (including directors' emoluments):			
— Independent non-executive directors' fees		465	439
— Wages, salaries and allowances		104,762	113,388
— Pension scheme contributions		11,482	10,599
— Staff welfare expenses		3,838	4,820
— Equity-settled share award expenses (note)	28	10,615	14,688
		131,162	143,934
Foreign exchange differences, net	5	(1,403)	(8,298)
Gain on disposal of items of property, plant and equipment	5	(84)	—
Gain on disposal of a subsidiary	5	(1,281)	—
Donation	6	—	1,722

7. LOSS BEFORE TAX (Continued)

Note: Equity-settled share award expenses were allocated to cost of sales, research and development costs, selling and distribution expenses and administrative expenses in the amounts below:

	2023 RMB'000	2022 RMB'000
Cost of sales	389	426
Research and development costs	3,493	6,112
Selling and distribution expenses	3,109	4,820
Administrative expenses	3,624	3,330
Total	10,615	14,688

8. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	2,128	2,008
Interest on bank loans	30	141
Total	2,158	2,149

Notes to Financial Statements (Continued)

31 December 2023

9. 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:

	2023	2022
	RMB'000	RMB'000
Fees	**465**	439
Other emoluments:		
Salaries, allowances and benefits in kind	**2,399**	2,553
Bonuses (note v)	**784**	790
Pension scheme contributions	**225**	204
Equity-settled share award expense	**2,421**	2,421
Subtotal	**5,829**	5,968
Total fees and other emoluments	**6,294**	6,407

Certain directors were granted share awards, in respect of their services to the Group, under the share award schemes of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such awarded shares, which has been recognised in 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' 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:

	2023	2022
	RMB'000	RMB'000
Mr. Guo Shaomu	**235**	239
Mr. Gong Ping	**200**	200
Mr. Feng Xiangqian	**30**	—
Total	**465**	439

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Bonuses (note v) RMB'000	Equity-settled share award expenses RMB'000	Total remuneration RMB'000
2023					
Executive directors:					
Mr. Wang Guohui (note i)	799	70	300	–	1,169
Ms. Zhang Kun	741	85	242	–	1,068
Mr. Wei Jiawei (note ii)	739	70	242	2,421	3,472
Subtotal	2,279	225	784	2,421	5,709
Non-executive directors:					
Mr. Chen Shaoxiong (note iii)	120	–	–	–	120
Mr. Ding Kui	–	–	–	–	–
Mr. Chen Gang (note iii)	–	–	–	–	–
Subtotal	120	–	–	–	120
Total	2,399	225	784	2,421	5,829

Notes to Financial Statements (Continued)

31 December 2023

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

	Salaries, allowances and benefits in kind	Pension scheme contributions	Bonuses (note v)	Equity-settled share award expenses	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2022					
Executive directors:					
Mr. Wang Guohui (note i)	1,099	65	270	—	1,434
Ms. Zhang Kun	712	74	260	—	1,046
Mr. Wei Jiawei (note ii)	725	65	260	2,421	3,471
Subtotal	2,536	204	790	2,421	5,951
Non-executive directors:					
Mr. Chen Shaoxiong (note iii)	17	—	—	—	17
Mr. Ding Kui	—	—	—	—	—
Mr. Chen Gang (note iii)	—	—	—	—	—
Mr. Ouyang Xiangyu (note iii)	—	—	—	—	—
Subtotal	17	—	—	—	17
Total	2,553	204	790	2,421	5,968

9. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(c) Supervisors

	Salaries, allowances and benefits in kind RMB'000	Pension Scheme contributions RMB'000	Bonuses (note v) RMB'000	Equity-settled share award expenses RMB'000	Total remuneration RMB'000
Year ended 31 December 2023					
Mr. Xing Tingyu (note iv)	**572**	**59**	**–**	**72**	**703**
Mr. Jiang Xinbei (note iv)	**–**	**–**	**–**	**–**	**–**
Ms. Jiang Xue (note iv)	**424**	**53**	**34**	**18**	**529**
Mr. Xue Zongyu (note iv)	**91**	**11**	**30**	**13**	**145**
Total	**1,087**	**123**	**64**	**103**	**1,377**
Year ended 31 December 2022					
Mr. Xing Tingyu (note iv)	575	65	101	152	893
Mr. Jiang Xinbei (note iv)	—	—	—	—	—
Ms. Jiang Xue (note iv)	52	7	30	—	89
Mr. Zhou Baolei (note iv)	—	—	—	—	—
Mr. Mei Jianghua (note iv)	—	—	—	—	—
Total	627	72	131	152	982

Notes:

i. Mr. Wang Guohui is also the chief executive of the Company, and his remuneration disclosed above included the amount for the services rendered by him as the chief executive.

ii. Mr. Wei Jiawei was appointed as an executive director with effect from 10 June 2022.

iii. Mr. Chen Shaoxiong was appointed as a non-executive director of the Company with effect from 9 November 2022. Mr. Chen Gang was appointed as a non-executive director of the Company with effect from 8 November 2023. Mr. Ouyang Xiangyu resigned as non-executive director with effect from 15 July 2022.

iv. Mr. Jiang Xinbei and Ms. Jiang Xue were appointed as supervisors with effect from 9 November 2022. Mr. Xue Zongyu was appointed as a supervisor with effect from 8 November 2023. Mr. Zhou Baolei and Mr. Mei Jianghua resigned as supervisors with effect from 9 November 2022. Mr. Xing Tingyu resigned as a supervisor with effect from 8 November 2023.

v. Bonuses are amount paid or payable which are discretionary or are based on the Group's performance.

There was no arrangement under which a director, supervisor or the chief executive waived or agreed to waive any remuneration during the year.

Notes to Financial Statements (Continued)

31 December 2023

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors and the chief executive (2022: three directors including the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2022: two) highest paid employees who were not a director, supervisor or chief executive of the Company during the year are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	1,766	2,095
Pension scheme contributions	70	65
Bonuses (note)	517	520
Equity-settled share award expenses	4,842	4,842
Total	7,195	7,522

Note: Bonuses are amount paid or payable which are discretionary or are based on the Group's performance.

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HKD3,500,001 to HKD4,000,000	1	1
HKD4,000,001 to HKD4,500,000	1	—
HKD4,500,001 to HKD5,000,000	—	1
	2	2

Share awards were granted to certain non-director, non-supervisor and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such awarded shares, which has been recognised in 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, non-supervisor and non-chief executive highest paid employees' remuneration disclosures. No new share awards were granted during the year.

11. INCOME TAX

The provision for corporate income tax in Chinese Mainland is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

Weiming was accredited as a "Key industry enterprise in the Lingang New Area of China (Shanghai) Pilot Free Trade Zone" in January 2021 and has been entitled to a preferential income tax rate of 15% for a five-year period since 2020.

The Company was accredited as a "High and New Technology Enterprise" in November 2021 and therefore is entitled to a preferential tax rate of 15% for a three-year period since 2021. SealMed was accredited as a "High and New Technology Enterprise" in December 2023 and therefore is entitled to a preferential tax rate of 15% for a three-year period since 2023. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authority in Chinese Mainland for every three years and the Company and SealMed should self-evaluate whether they meet the criteria of High and New Technology Enterprise each year.

Pursuant to Caishui [2018] circular No. 76, the Company and its certain subsidiaries which were accredited as "Technology-based Small and Medium-sized Enterprises" can carry forward their unutilised tax losses for up to ten years. This extension of the expiration period applies to all the unutilised tax losses that were carried forward by the entities at the effective date of the tax circular.

Pursuant to the relevant EIT Law, the Company and its certain subsidiaries enjoyed a super deduction of 200% on qualifying research and development expenditures during the year ended 31 December 2023.

The income tax credit of the Group for the reporting period is analysed as follows:

	2023 **RMB'000**	2022 RMB'000
Current tax:		
Credit for the year	**–**	–
Deferred tax	**(8,908)**	(865)
	(8,908)	(865)

Notes to Financial Statements (Continued)

31 December 2023

11. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2023 **RMB'000**	2022 RMB'000
Loss before tax	**(102,920)**	(201,249)
Tax at the applicable tax rate of 25%	**(25,730)**	(50,312)
Lower tax rate enacted by local authority	**6,621**	12,791
Effect on opening deferred tax of decrease in rates	**(3,744)**	—
Expenses not deductible for tax purpose	**5,520**	1,148
Additional deductible allowance for research and development expenses	**(11,172)**	(25,634)
Deductible temporary differences and tax losses not recognised	**30,892**	61,464
Utilisation/recognition of deductible temporary differences and tax losses previously not recognised	**(11,295)**	(322)
Income tax expense credited to profit or loss	**(8,908)**	(865)

The Group has accumulated tax losses that are not recognised as deferred tax assets of RMB675,809,000 as at 31 December 2023 (2022: RMB624,117,000), that will expire in three to ten years for offsetting against future taxable profits of the entities in which the losses arose. The Group has deductible temporary differences of RMB70,875,000 as at 31 December 2023 (2022: RMB104,584,000), which are mainly related to government grants and share of loss of an associate.

12. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2022: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount 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 38,077,150 (2022: 38,271,320) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the share award schemes had an anti-dilutive effect on the basic loss per share amounts presented.

Notes to Financial Statements (Continued)

31 December 2023

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

The calculations of basic and diluted loss per share are based on:

	2023	2022
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation (RMB'000)	(94,012)	(200,384)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	38,077,150	38,271,320
Loss per share (basic and diluted) (RMB per share)	(2.47)	(5.24)

14. PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
31 December 2023				
At 1 January 2023:				
Cost	45,519	74,834	439	120,792
Accumulated depreciation	(17,451)	(19,996)	–	(37,447)
Net carrying amount	28,068	54,838	439	83,345
At 1 January 2023, net of accumulated depreciation	28,068	54,838	439	83,345
Additions	–	8,580	358	8,938
Depreciation provided during the year	(5,401)	(14,812)	–	(20,213)
Transfer	358	439	(797)	–
Disposal	–	(865)	–	(865)
Disposal of a subsidiary (note 30)	–	(1,266)	–	(1,266)
At 31 December 2023, net of accumulated depreciation	23,025	46,914	–	69,939
At 31 December 2023:				
Cost	45,877	81,145	–	127,022
Accumulated depreciation	(22,852)	(34,231)	–	(57,083)
Net carrying amount	23,025	46,914	–	69,939

Notes to Financial Statements (Continued)

31 December 2023

14. PLANT AND EQUIPMENT (Continued)

	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
31 December 2022				
At 1 January 2022:				
Cost	32,819	42,147	17,068	92,034
Accumulated depreciation	(6,003)	(8,965)	—	(14,968)
Net carrying amount	26,816	33,182	17,068	77,066
At 1 January 2022, net of accumulated depreciation	26,816	33,182	17,068	77,066
Additions	2,508	24,374	1,876	28,758
Depreciation provided during the year	(11,448)	(11,031)	—	(22,479)
Transfer	10,192	8,313	(18,505)	—
At 31 December 2022, net of accumulated depreciation	28,068	54,838	439	83,345
At 31 December 2022:				
Cost	45,519	74,834	439	120,792
Accumulated depreciation	(17,451)	(19,996)	—	(37,447)
Net carrying amount	28,068	54,838	439	83,345

15. LEASES

The Group as a lessee

The Group has lease contracts for plant and office premises used in its operations. Lump sum payments were made upfront to acquire the land-use-right from the government with a lease period of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and office premises generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

The Group also leased certain office premises under a short-term (i.e. within 12 months) lease arrangement. The Group has elected not to recognise right-of-use assets on this short-term lease contract. There are no restrictions or covenants imposed and no sale and leaseback transactions.

(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:

	Land-use-right RMB'000	Plant and office premises RMB'000	Total RMB'000
At 1 January 2022	—	35,079	35,079
Additions	—	5,204	5,204
Depreciation charge	—	(5,397)	(5,397)
At 31 December 2022 and 1 January 2023	**—**	**34,886**	**34,886**
Additions	**41,375**	**2,628**	**44,003**
Depreciation charge	**(758)**	**(6,428)**	**(7,186)**
Disposal of a subsidiary (note 30)	**—**	**(3,131)**	**(3,131)**
At 31 December 2023	**40,617**	**27,955**	**68,572**

Notes to Financial Statements (Continued)

31 December 2023

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**45,687**	41,940
New lease addition	**2,628**	4,828
Accretion of interest recognised during the year	**2,128**	2,008
Payments	**(10,372)**	(3,089)
Disposal of a subsidiary (note 30)	**(3,688)**	—
Carrying amount at 31 December	**36,383**	45,687
Analysed into:		
Current portion	**4,911**	5,878
Non-current portion	**31,472**	39,809

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**2,128**	2,008
Depreciation charge of right-of-use assets	**7,186**	5,397
Expense relating to short-term leases (included in cost of sales, research and development costs, selling and distribution expenses and administrative expenses)	**1,840**	1,759
Total amount recognised in profit or loss	**11,154**	9,164

(d) The total cash outflow for leases is disclosed in note 31(c) to the financial statements.

16. GOODWILL

	2023 RMB'000	2022 RMB'000
Cost	9,711	9,711
Impairment	—	—
Net carrying amount	9,711	9,711

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the SealMed unit as the cash-generating unit for impairment testing.

The recoverable amount of the SealMed unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a 9-year period approved by senior management. Management considers that using a 9-year forecast period for financial budgets in the goodwill impairment test is appropriate because the useful lives of SealMed's relevant intellectual properties are estimated as ten years after commercialisation, and it generally takes longer for a medical device company to reach the perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, financial budgets covering a 9-year period were used as management believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.

Key assumptions used in the calculation are as follows:

	2023	2022
Revenue growth rate	2.2%-15.9%	6.8%-30.7%
Budgeted gross margin	58.5%-60.5%	59.6%-61.9%
Terminal growth rate	2.2%	2.3%
Discount rate	18.9%	19.0%

Assumptions were used in the value in use calculation of the cash-generating unit as at 31 December 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Notes to Financial Statements (Continued)

31 December 2023

16. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Revenue — The budgeted revenue is determined based on management's expectation of the future market of SealMed's products. SealMed's products, namely vascular closure device and embolic coil (the "SealMed Products"), have been approved by the National Medical Products Administration ("NMPA") in February and March 2022, respectively. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes current industry overview and the estimated market development of related products.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year ended 31 December 2023, which has decreased as a result of the expected price reduction due to intense competition.

Terminal growth rate — The forecasted terminal growth rate is based on management expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of related products and the pre-tax discount rate are consistent with external information sources.

Notes to Financial Statements (Continued)

31 December 2023

17. OTHER INTANGIBLE ASSETS

	Intellectual properties RMB'000	Software RMB'000	Total RMB'000
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	**37,438**	**1,805**	**39,243**
Additions	**—**	**3,362**	**3,362**
Amortisation provided during the year	**(4,090)**	**(770)**	**(4,860)**
Disposal of a subsidiary (note 30)	**—**	**(37)**	**(37)**
At 31 December 2023	**33,348**	**4,360**	**37,708**
At 31 December 2023:			
Cost	**37,438**	**5,601**	**43,039**
Accumulated amortisation	**(4,090)**	**(1,241)**	**(5,331)**
Net carrying amount	**33,348**	**4,360**	**37,708**
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	40,900	1,529	42,429
Additions	—	725	725
Amortisation provided during the year	(3,462)	(449)	(3,911)
At 31 December 2022	37,438	1,805	39,243
At 31 December 2022:			
Cost	40,900	2,370	43,270
Accumulated amortisation	(3,462)	(565)	(4,027)
Net carrying amount	37,438	1,805	39,243

Notes to Financial Statements (Continued)

31 December 2023

18. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**107,329**	90,174
Work in progress	**3,345**	9,329
Finished goods	**35,365**	32,655
Total	**146,039**	132,158

19. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**78,659**	26,166
Impairment	**(1,746)**	(816)
Net carrying amount	**76,913**	25,350

The Group's trading terms with its customers are payment in advance or on credit. The credit period is generally 45 to 120 days for major customers. Each customer has a maximum credit limit. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing of the trade receivables as at the end of each of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Within 6 months	**76,913**	25,303
6 to 12 months	**—**	47
Total	**76,913**	25,350

19. TRADE RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	816	733
Impairment losses	930	83
At end of year	1,746	816

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 2023

	Current
Expected credit loss rate	2.22%
Gross carrying amount (RMB'000)	78,659
Expected credit losses (RMB'000)	1,746

As at 31 December 2022

	Current
Expected credit loss rate	3.12%
Gross carrying amount (RMB'000)	26,166
Expected credit losses (RMB'000)	816

Notes to Financial Statements (Continued)

31 December 2023

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Non-current:		
Rental deposits	**1,752**	1,713
Prepayment of plant and equipment	**1,782**	7,357
Prepayments	**154**	237
Value-added tax recoverable, non-current	**3,710**	3,645
Total	**7,398**	12,952
Current:		
Prepayments	**43,168**	86,650
Deferred listing expenses for A Share	**—**	4,382
Other receivables due from third parties	**3,727**	2,141
Other receivables due from a related party (note 33(a))	**5,400**	—
Advance payment of corporate income tax	**892**	—
Value-added tax recoverable, current	**18**	7,199
Total	**53,205**	100,372

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

21. CASH AND BANK BALANCES/RESTRICTED CASH

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**622,205**	870,122
Less: Time deposits with original maturity of more than three months but less than one year when acquired	**16,622**	30,096
Cash and cash equivalents	**605,583**	840,026
Restricted cash	**8,096**	4,020

At the end of the reporting period, the cash and bank balances and restricted cash of the Group denominated in Renminbi ("RMB") amounted to RMB558,217,000 (2022: RMB788,892,000).The RMB is not freely convertible into other currencies, however, under Chinese Mainland'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 within 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.

The restricted cash of RMB8,034,000 as at 31 December 2023 was restricted as the deposit for land-use-right and RMB62,000 was restricted for the payment for the repurchase of shares. The restricted cash of RMB4,020,000 as at 31 December 2022 was restricted as the deposit for auction of a land-use-right and was released in February 2023.

Notes to Financial Statements (Continued)

31 December 2023

22. FINANCIAL ASSETS AT FVTPL

	2023 RMB$'000	2022 RMB$'000
Current		
Financial products	98,934	—
Non-current		
Other unlisted investments, at fair value	2,525	400
Total	101,459	400

The above financial products represented wealth management products issued by banks in Chinese Mainland with expected return rates ranged from 2.2% to 4.5% per annum.

23. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	3,667	4,132
Accrued expenses	6,872	6,523
Payroll payable	16,339	22,238
Other tax payables	7,431	1,369
Accrued listing expenses for A Share	—	2,409
Other payables	11,427	5,984
Advance payments received for subscription of share awards (note)	6,043	5,654
Total	51,779	48,309

Note: The amount represented payments received in advance from employees for subscribing share awards granted under the 2021 H Share Incentive Scheme.

23. TRADE AND OTHER PAYABLES (Continued)

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	**2,143**	2,415
3 to 6 months	**201**	1,410
6 to 12 months	**301**	247
1 to 2 years	**1,022**	60
Total	**3,667**	4,132

Trade and other payables are unsecured, non-interest-bearing and repayable on demand.

24. GOVERNMENT GRANTS

The movements in government grants during the reporting period are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**31,874**	28,500
Grants received during the year	**13,792**	15,250
Recognised as income during the year	**(11,211)**	(11,876)
Disposal of a subsidiary (note 30)	**(560)**	—
At the end of the year	**33,895**	31,874

The grants related to income would be recognised in profit or loss upon the Group complying with the conditions attached to the grants and the government acknowledging acceptance. The grants related to an asset would be released to profit or loss over the remaining expected useful lives of the relevant assets upon the Group complying with the conditions attached to the grants and the government acknowledging acceptance.

Notes to Financial Statements (Continued)

31 December 2023

25. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2023 RMB'000	2022 RMB'000
Current	**3,092**	6,852

During the reporting period, contract liabilities represented the obligations to transfer goods to customers from which the Group has received consideration.

26. DEFERRED TAX

Deferred tax liabilities

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2021	10,225	—	10,225
Effect of adoption of amendments to IAS 12	—	7,265	7,265
At 1 January 2022 (restated)	10,225	7,265	17,490
Deferred tax credited to profit or loss during the year (restated)	(865)	(831)	(1,696)
Gross deferred tax liabilities at 31 December 2022 and 1 January 2023 (restated)	**9,360**	**6,434**	**15,794**
Deferred tax credited to profit or loss during the year (note 11)	**(4,325)**	**(1,601)**	**(5,926)**
Gross deferred tax liabilities at 31 December 2023	**5,035**	**4,833**	**9,868**

26. DEFERRED TAX (Continued)

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Lease liabilities RMB'000	Total RMB'000
At 31 December 2021	—	—	—
Effect of adoption of amendments to IAS 12	—	7,265	7,265
At 1 January 2022 (restated)	—	7,265	7,265
Deferred tax credited to profit or loss during the year (restated)	—	(831)	(831)
Gross deferred tax assets at 31 December 2022 and 1 January 2023 (restated)	**—**	**6,434**	**6,434**
Deferred tax credited to profit or loss during the year (note 11)	**4,583**	**(1,601)**	**2,982**
Gross deferred tax assets at 31 December 2023	**4,583**	**4,833**	**9,416**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**—**	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(452)**	(9,360)

Notes to Financial Statements (Continued)

31 December 2023

27. SHARE CAPITAL/TREASURY SHARES

Shares

	2023 RMB'000	2022 RMB'000
Issued and fully paid:		
38,834,408 (2022: 38,834,408) ordinary shares of RMB1.00 each	38,834	38,834

Share capital

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 2022, 31 December 2022 and 31 December 2023	38,834,408	38,834

Treasury shares

A summary of movements in the Company's treasury shares is as follows:

	Number of Shares repurchased	Treasury shares RMB'000
At 1 January 2022	274,450	21,185
Repurchase of shares under share award scheme	418,250	21,378
At 31 December 2022 and 1 January 2023	692,700	42,563
Repurchase of shares under share award scheme	275,000	6,436
At 31 December 2023	967,700	48,999

On 1 November 2021, shareholders of the Group approved the adoption of the 2021 H share incentive scheme (the "2021 H Share Incentive Scheme"). Pursuant to the 2021 H Share Incentive Scheme, 275,000 (2022: 418,250) shares were purchased on the Hong Kong Stock Exchange by the trustee under the scheme at a total consideration of RMB6,436,000 (2022: RMB21,378,000) before expenses during the year, of which RMB6,374,000 was settled as at 31 December 2023 and RMB62,000 was settled subsequently.

28. EQUITY-SETTLED SHARE AWARD EXPENSE

The Company adopted share award schemes for certain personnel in order to recognise and reward the contribution of certain directors and employees ("Granted employees") to the growth and development of the Group, and retain eligible employees for the continuous operation and development of the Group.

Pre-IPO

In August and October 2020, 4.27% of the then equity interest in the Company was granted to 31 selected employees of the Company for a consideration of RMB15,000,000 through Shanghai Weiyu Enterprise Management Consulting Partnership (L.P.) ("Weiyu").

In August 2020, 10% of the then equity interest in the Company was granted to 4 of the then directors of the Company for a consideration of RMB30,000,000 through Shanghai Weiyun Enterprise Management Consulting Partnership (L.P.) ("Weiyun"). Pursuant to the shareholder resolution, the Company shall repurchase 50% of such equity interest at principal plus a simple interest rate of six percent per annum if the crossover financing is not closed before 31 March 2021 and 50% of such equity interest at principal plus a simple interest rate of six percent per annum if a qualified IPO is not completed before 31 December 2021. On 20 August 2021, the Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited and the obligation to redeem shares was cancelled and the balance of other payable for the obligation to redeem was transferred to other reserve.

The fair value of services received in return for a share award granted is measured by reference to the fair value of the share award granted less the consideration received by the Group. The fair value of the share award granted is measured at the grant date at the market value of the share award and is determined using the market approach (recent transaction method, in particular).

The respective employees are entitled to receive the same dividends as the other shareholders. Accordingly, no other features of the equity instruments granted were incorporated as adjustments into the measurement of fair value.

The Group recognised equity-settled share award expenses of RMB6,947,000 (2022: RMB8,731,000) during the year ended 31 December 2023.

Post IPO

On 1 November 2021, shareholders approved the adoption of the 2021 H Share Incentive Scheme in order to recognise and reward the contribution of certain employees. The 2021 H Share Incentive Scheme shall be valid and effective for 10 years commencing from 1 November 2021.

Pursuant to the 2021 H Share Incentive Scheme, the Group granted 386,700 share options to eligible employees in January 2022 with a 3-year service period and granted 223,460 share options in June 2023 with a 2.5-year service period. The exercise price is determined by the directors at RMB20.0 per share and RMB22.0 per share, respectively.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the scheme as an equity-settled plan.

Notes to Financial Statements (Continued)

31 December 2023

28. EQUITY-SETTLED SHARE AWARD EXPENSE (Continued)

Post IPO (Continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the 2021 H Share Incentive Scheme during the year:

	2023		2022	
	Weighted average exercise price RMB per share	Number of options	Weighted average exercise price RMB per share	Number of options
At 1 January	20.0	282,700	—	—
Granted during the year	22.0	223,460	20.0	386,700
Forfeited during the year	21.6	(210,060)	20.0	(104,000)
At 31 December	20.4	296,100	20.0	282,700

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2023

Number of options	Exercise price RMB per share	Exercise date
235,500	20.0	31 December 2024
60,600	22.0	31 December 2025
296,100		

2022

Number of options	Exercise price RMB per share	Exercise date
282,700	20.0	31 December 2024

The fair value of the share options granted during the year was RMB2,962,000 (RMB13.25 each).

The Group recognised as equity-settled share award expense of RMB3,668,000 (2022: RMB5,957,000) during the year ended 31 December 2023.

28. EQUITY-SETTLED SHARE AWARD EXPENSE (Continued)

Post IPO (Continued)

The fair value of equity-settled share options granted during the year 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 inputs to the model used:

	2023	2022
Dividend yield (%)	—	—
Expected volatility (%)	45.6	48.9
Historical volatility (%)	45.6	48.9
Risk-free interest rate (%)	2.2	2.5
Expected life of options (year)	2.5	3
Weighted average share price (RMB per share)	30.8	67.3

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

At the end of the reporting period, the Company had 296,100 share options outstanding under the 2021 H Share Incentive Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 296,100 additional ordinary shares of the Company and additional share capital of RMB296,100 and reserve of RMB5,747,100 (before issue expenses).

At the date of approval of these financial statements, the Company had 296,100 share options outstanding under the 2021 H Share Incentive Scheme, which represented approximately 0.76% of the Company's shares in issue as at that date.

29. 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 102 of the financial statements.

Notes to Financial Statements (Continued)

31 December 2023

30. DISPOSAL OF A SUBSIDIARY

As stated in the announcement of the Company dated 11 December 2023, the Company entered into an equity transfer agreement on the same day with the purchasers, pursuant to which, the Company agreed to transfer its entire equity interest in Shanghai Shenji Medical Technology Co., Ltd. ("Shenji Medical") to the purchasers at a consideration of RMB9,000,000 (the "Disposal"). The Disposal was completed in December 2023.

	Note	2023 RMB'000
Net assets disposed of:		
Property, plant and equipment	14	1,266
Right-of-use assets	15	3,131
Other intangible assets	17	37
Cash and bank balances		3,990
Prepayments and other receivables		4,316
Trade and other payables		(773)
Lease liabilities	15	(3,688)
Government grants	24	(560)
Subtotal		7,719
Gain on disposal of a subsidiary	5	1,281
Total consideration		9,000
Satisfied by:		
Cash consideration received during the year		720
Other receivables due from third parties		2,880
Other receivables due from a related party		5,400

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2023 RMB'000
Cash consideration received during the year	720
Cash and bank balances disposed of	(3,990)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(3,270)

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,628,000 (2022: additions to right-of-use assets of RMB5,204,000) and RMB2,628,000 (2022: additions to lease liabilities of RMB4,828,000), respectively, in respect of lease arrangements for plant and office premises.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowing RMB'000	**Lease liabilities RMB'000**	**Trade and other payables RMB'000**
At 1 January 2022	—	41,940	15,390
Changes from financing cash flows during the year	4,859	(3,089)	(26,523)
Accretion of interest	141	2,008	—
New lease addition	—	4,828	—
Elimination with the restricted cash	—	—	(6,564)
Listing expenses for A Share	—	—	4,382
Shares purchased under the 2021 H Share Incentive Scheme	—	—	21,378
At 31 December 2022	**5,000**	**45,687**	**8,063**
Changes from financing cash flows during the year	**(5,030)**	**(10,372)**	**(5,985)**
Accretion of interest	**30**	**2,128**	**—**
New lease addition	**—**	**2,628**	**—**
Decrease arising from disposal of a subsidiary (note 30)	**—**	**(3,688)**	**—**
Listing expenses for A Share	**—**	**—**	**(2,409)**
Shares purchased under the 2021 H Share Incentive Scheme	**—**	**—**	**6,436**
At 31 December 2023	**—**	**36,383**	**6,105**

Notes to Financial Statements (Continued)

31 December 2023

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	1,840	1,759
Within financing activities	10,372	3,089
	12,212	4,848

32. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Construction in progress	—	7,174
Land-use-right	—	40,170
Intangible assets	89	—
Plant and machinery	418	357
Total	507	47,701

33. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

As stated in the announcement of the Company dated 11 December 2023, the Company entered into an equity transfer agreement on the same day with the purchasers, among which, Value Magnet Limited is an entity indirectly controlled by Mr. Ding Kui, a director of the Company and his close family member. Pursuant to the equity transfer agreement, the Company transferred its entire equity interest in Shenji Medical to Value Magnet Limited and other purchasers at a consideration of RMB5,400,000 and RMB3,600,000, respectively (the "Disposal"). The Disposal was completed in December 2023. As at 31 December 2023, the balances due from Value Magnet Limited and other purchasers amounted to RMB5,400,000 and 2,880,000, respectively, which are expected to be settled by the end of June 2024.

On 8 February 2022, Shanghai Weiqi Medical Devices Co., Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with a close family member of an executive director and a close family member of a non-executive director to acquire 36% of equity interest of IasoCardiac Medical Technology Co., Ltd. at a consideration of RMB4,800,000 and make a capital injection of RMB30,000,000 into IasoCardiac Medical Technology Co., Ltd. in exchange for an additional registered capital of RMB543,000.

(b) Compensation of key management personnel of the Group

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**5,252**	5,286
Pension scheme contributions	**418**	490
Bonuses (note)	**1,365**	1,441
Directors' fees	**465**	439
Equity-settled share award expense	**7,366**	7,415
	14,866	15,071

Note: Bonuses are amount paid or payable which are discretionary or are based on the Group's performance.

Further details of directors', supervisors' and the chief executive's emoluments are included in note 9 to the financial statements.

Notes to Financial Statements (Continued)

31 December 2023

34. 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:

Financial assets

	Financial assets at fair value through profit or loss			Financial assets at amortised cost	
	Mandatorily designated as such	Designated as such upon initial recognition	Designated as such upon initial recognition		
	2023	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	–	–	—	10,879	3,854
Trade receivables	–	–	—	76,913	25,350
Cash and bank balances	–	–	—	622,205	870,122
Restricted cash	–	–	—	8,096	4,020
Financial assets at fair value through profit or loss	98,934	400	400	–	—
Total	98,934	400	400	718,093	903,346

Financial liabilities

	Financial liabilities at amortised cost	
	2023	2022
	RMB'000	RMB'000
Interest-bearing bank borrowing	—	5,000
Financial liabilities included in trade and other payables	28,009	24,702
Total	28,009	29,702

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value

Management has assessed that the fair values of cash and bank balances, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets (in the current portion), financial liabilities included in trade and other payables, interest-bearing bank borrowing and lease liabilities (in the current portion) approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance controller. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

The fair values of equity investments designated at fair value through profit or loss and derivative financial instruments are determined using market approach.

The Group invests in wealth management products issued by banks in Chinese Mainland. The Group has estimated the fair value of these wealth management product by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instrument:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant Observable Inputs (Level 2) RMB'000	Significant Unobservable Inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	–	–	400	400
Derivative financial instruments	–	–	2,125	2,125
Financial products	–	98,934	–	98,934
Total	–	98,934	2,525	101,459

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant Observable Inputs (Level 2) RMB'000	Significant Unobservable Inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through profit or loss	—	—	400	400

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2022.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, restricted cash and interest-bearing bank borrowing. 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, financial assets at fair value through profit or loss, financial assets included in prepayments, other receivables and other assets and financial liabilities included in trade 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

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The Group has currency exposures mainly arising from cash at banks denominated in USD and HKD. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (arising from foreign currencies denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity RMB'000
31 December 2023			
If RMB weakens against USD	**5**	**(2,282)**	**2,282**
If RMB strengthens against USD	**(5)**	**2,282**	**(2,282)**
If RMB weakens against HKD	**5**	**(1,322)**	**1,322**
If RMB strengthens against HKD	**(5)**	**1,322**	**(1,322)**
31 December 2022			
If RMB weakens against USD	5	(2,498)	2,498
If RMB strengthens against USD	(5)	2,498	(2,498)
If RMB weakens against HKD	5	(1,755)	1,755
If RMB strengthens against HKD	(5)	1,755	(1,755)

Notes to Financial Statements (Continued)

31 December 2023

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 financial assets, which comprise cash and bank balances, restricted cash, trade receivables and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

For other receivables and other assets, management makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The board of directors believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Maximum exposure and year-end staging

The tables below show 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 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets — normal (note (a))	10,879	–	–	–	10,879
Trade receivables (note (b))	–	–	–	78,659	78,659
Cash and bank balances — not yet past due	622,205	–	–	–	622,205
Restricted cash — not yet past due	8,096	–	–	–	8,096
Total	641,180	–	–	78,659	719,839

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets — normal (note (a))	3,854	—	—	—	3,854
Trade receivables (note (b))	—	—	—	26,166	26,166
Cash and bank balances — not yet past due	870,122	—	—	—	870,122
Restricted cash — not yet past due	4,020	—	—	—	4,020
Total	877,996	—	—	26,166	904,162

Notes:

(a) 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".

(b) For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix and further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as the Group's cash and bank balances were deposited in a few financial institutions. As at the end of the reporting period, cash and bank balances were deposited in financial institutions in high quality without significant credit risk.

At the end of the reporting period, the Group had certain concentrations of credit risk as the Group's trade receivables were mainly due from the Group's largest customer. The Group sets a maximum credit limit for each customer. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

Notes to Financial Statements (Continued)

31 December 2023

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors and maintains a level of cash and bank balances deemed adequate by the 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:

	2023				
	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in trade and other payables	28,009	–	–	–	28,009
Lease liabilities	–	6,624	27,051	8,648	42,323
Total	28,009	6,624	27,051	8,648	70,332

	2022				
	On Demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowing	—	5,193	—	—	5,193
Financial liabilities included in trade and other payables	24,702	—	—	—	24,702
Lease liabilities	—	5,932	25,549	17,077	48,558
Total	24,702	11,125	25,549	17,077	78,453

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 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 2023 and 2022.

	2023 **RMB'000**	2022 RMB'000
Interest-bearing bank borrowing	**—**	5,000
Lease liabilities	**36,383**	45,687
Total debt	**36,383**	50,687
Total equity	**1,075,644**	1,165,477
Gearing ratio	**3.4%**	4.3%

37. EVENTS AFTER THE REPORTING PERIOD

No significant events of the Group occurred after the reporting period.

Notes to Financial Statements (Continued)

31 December 2023

38. 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:

	2023 RMB'000	2022 RMB'000
Non-current assets		
Plant and equipment	47,099	55,615
Right-of-use assets	55,290	15,700
Other intangible assets	4,217	1,552
Investments in subsidiaries	389,918	400,707
Prepayments, other receivables and other assets, non-current	1,378	7,261
Financial assets at fair value through profit or loss	400	400
Total non-current assets	498,302	481,235
Current assets		
Inventories	127,733	114,883
Trade receivables	62,466	25,350
Prepayments, other receivables and other assets, current	38,496	65,218
Due from subsidiaries	6,598	5,147
Financial assets at fair value through profit or loss	98,934	—
Cash and bank balances	532,438	808,451
Restricted cash	8,096	4,020
Total current assets	874,761	1,023,069
Current liabilities		
Trade and other payables	41,047	33,419
Lease liabilities, current	2,862	3,160
Due to subsidiaries	80,528	80,623
Government grants, current	—	1,467
Contract liabilities	2,700	5,815
Total current liabilities	127,137	124,484
Net current assets	747,624	898,585
Total assets less current liabilities	1,245,926	1,379,820

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2023 RMB'000	2022 RMB'000
Non-current liabilities		
Lease liabilities, non-current	15,771	17,997
Government grants, non-current	19,207	19,207
Total non-current liabilities	34,978	37,204
Net assets	1,210,948	1,342,616
Equity		
Share capital	38,834	38,834
Treasury shares	(48,999)	(42,563)
Reserves (note)	1,221,113	1,346,345
Total equity	1,210,948	1,342,616

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2022	1,546,492	193,338	(295,398)	1,444,432
Loss and total comprehensive loss for the year	—	—	(112,775)	(112,775)
Equity-settled share award expense	—	14,688	—	14,688
At 31 December 2022 and 1 January 2023	1,546,492	208,026	(408,173)	1,346,345
Loss and total comprehensive loss for the year	—	—	(135,847)	(135,847)
Equity-settled share award expense	—	10,615	—	10,615
At 31 December 2023	1,546,492	218,641	(544,020)	1,221,113

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

Definitions

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

"2021 H Share Incentive Scheme"	the 2021 H Share Incentive Scheme adopted by the Company on November 1, 2021
"AGM"	the forthcoming annual general meeting of the Company to be held on May 20, 2024
"Articles of Association"	the articles of association of the Company currently in force
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code" or "Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Company", "our Company" or "HeartCare Medical"	Shanghai HeartCare Medical Technology Corporation Limited (上海心瑋醫療科技股份有限公司), a joint stock limited liability company incorporated in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 6609)
"Director(s)"	the director(s) of the Company
"FDA"	the U.S. Food and Drug Administration
"Global Offering"	has the meaning as ascribed to it under the Prospectus
"Group", "the Group", "our Group", "our", "we" or "us"	the Company and its subsidiaries
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollars
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

Definitions (Continued)

"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party" or "Independent Third Parties"	a person or entity who is not a connected person of our Company under the Listing Rules
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date, Friday, August 20, 2021, on which the Shares were listed and dealings in the H Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"NMPA"	the National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局) or the CFDA
"Nomination Committee"	the nomination committee of the Board
"PRC Company Law"	the Company Law of the People's Republic of China, as amended, supplemented or otherwise modified from time to time
"PRC Law"	the laws of the People's Republic of China, as amended, supplemented or otherwise modified from time to time
"Prospectus"	the prospectus of the Company dated August 10, 2021, in relation to the Global Offering
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2023

Definitions (Continued)

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the member(s) of the supervisory committee of the Company
"Supervisory Committee"	the supervisory committee of the Company
"Trustee"	the trustee appointed by the Company for the purpose of the Trust, and initially, Maples Trustee Services (Cayman) Limited, a company incorporated in the Cayman Islands and having its registered office at Boundary Hall, Cricket Square, George Town, Grand Cayman, Cayman Islands
"Unlisted Share(s)"	the ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed and credited as fully paid up in Renminbi
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent

上海心瑋醫療科技股份有限公司
Shanghai HeartCare Medical Technology Corporation Limited