Rainmed Medical Limited
潤邁德醫療有限公司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock Code 股份代號：2297

2023
ANNUAL REPORT 年度報告

CONTENTS

COMPANY PROFILE

Summary

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

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

In March 2023, the Group acquired 68.32% of the equity interest in Tianjin Yuehekang Biotechnology Co., Ltd.* (天津悦和康生物技術有限公司) ("**Tianjin Yuehekang**"), which became an indirect subsidiary of the Company. Tianjin Yuehekang's principal business is in the field of biochemical in vitro diagnostic reagents, and it is a diversified high-tech enterprise engaging in the research and development, production and marketing of in vitro diagnostic products. It has currently obtained 85 registration certificates and corresponding production licences for biochemical diagnostic reagent products Category II, covering major diagnostic categories such as liver function, kidney function, blood lipid and myocardial function. It has a wide product range, especially innovative precision diagnostic products for cardiovascular IVD such as "coagulation" and "peptide" that are under development will help the precision diagnostic products of the Group expand from "covering all procedures of the surgery" to "check-up upon hospitalization" and "bedside check-up", further improving the Group's product layout.

Our Vision

We will adhere to the purpose of "Targeted Medical Services for People's Health", relying on the experience in medical image algorithm, fluid dynamics analysis, high-performance mechanical design, high-end intervention consumables research and development capabilities to launch interventional surgical robots, and gradually build unmanned operating room. It aims to enhance the clinical value of products and create a new situation for the development of precision medicine in the interventional field.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Huo Yunfei (霍雲飛)
(Chairman and Chief Executive Officer)
Mr. Lyu Yonghui (呂永輝) *(Joint Chief Executive Officer)*
Mr. Zhang Liang (張亮) *(Chief Financial Officer)*
Ms. Gu Yang (谷陽) *(Vice President)*

Non-Executive Directors

Mr. Wang Lin (王霖)
Mr. Heng Lei (衡磊)

Independent Non-Executive Directors

Mr. Liu Shuen Kong (廖船江)
Mr. Li Ho Man (李浩民)
Mr. Chen Xuefeng (陳雪峰)

Audit Committee

Mr. Liu Shuen Kong *(Chairman)*
Mr. Li Ho Man
Mr. Chen Xuefeng

Remuneration Committee

Mr. Li Ho Man *(Chairman)*
Ms. Gu Yang
Mr. Liu Shuen Kong

Nomination Committee

Mr. Huo Yunfei *(Chairman)*
Mr. Liu Shuen Kong
Mr. Li Ho Man

Joint Company Secretaries

Mr. Zhang Liang
Ms. Chu Cheuk Ting (朱卓婷)

Authorized Representatives

Mr. Zhang Liang
Ms. Chu Cheuk Ting

Legal Advisers

As to Hong Kong law and United States law:
O'Melveny & Myers

As to PRC law:
Jingtian & Gongcheng

As to Cayman Islands law:
Campbells

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants and Registered Public Interest Entity Auditor

Compliance Adviser

Opus Capital Limited

Registered Office

Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

Headquarters and Principal Place of Business in China

Building 31, Northeast District
No. 99, Jinji Lake Avenue
Suzhou Industrial Park
Suzhou, Jiangsu Province, PRC

Principal Place of Business in Hong Kong

Room 19–108, 19/F, Cityplaza Three
14 Taikoo Wan Road
Taikoo, Hong Kong

Principal Share Registrar and Transfer Office

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

Principal Bankers

China Merchants Bank Co., Ltd.
(Suzhou Dushuhu Branch)

China CITIC Bank Corporation
(Suzhou Branch)

Company Website

www.rainmed.com

Stock Code

2297

Listing Date

July 8, 2022

FINANCIAL HIGHLIGHTS

The following table sets out a comparison of key financial data for the years ended December 31, 2023 and 2022:

	Year Ended December 31,			
	2023 RMB'000 (Except percentage)	2022 RMB'000 (Except percentage)	Change RMB'000	Change
Revenue	**73,219**	83,604	(10,385)	(12.4%)
Gross profit	**48,553**	69,824	(21,271)	(30.5%)
Gross profit margin	**66.3%**	83.5%		
Loss attributable to Shareholders of the Company	**(115,830)**	(1,345,963)	1,230,133	(91.4%)
Adjusted non-HKFRS loss attributable to Shareholders of the Company[Note]	**(108,300)**	(100,900)	(7,400)	7.3%
	RMB	RMB	RMB	
Loss per share				
— Basic and diluted	**(0.10)**	(1.50)	1.40	(93.3%)
Adjusted non-HKFRS loss per share				
— Basic and diluted	**(0.09)**	(0.11)	0.02	(18.2%)

Note: For the year ended December 31, 2023, the Group incurred loss of RMB115.8 million attributable to Shareholders of the Company. Share-based payment expenses are non-cash expenses arising from share awards and Pre-IPO Share Option Scheme granted to certain management personnel and employees, which are commonly not included in similar non-HKFRS measures adopted by other companies in our industry. After eliminating potential impacts of certain non-cash or other expenses that do not affect our ongoing operating performance, including share-based payment expenses, the Group's adjusted non-HKFRS loss attributable to equity holders of the Company was RMB108.3 million.

	Year Ended December 31,			
	2023 RMB'000 (Except percentage)	2022 RMB'000 (Except percentage)	Change RMB'000	Change
Financial position				
Non-current assets	**204,093**	86,897	117,196	134.9%
Cash and cash equivalents	**134,085**	91,118	42,967	47.2%
Bank deposits with the maturity over three months	**65,550**	355,196	(289,646)	(81.5%)
Total assets	**573,308**	690,330	(117,022)	(17.0%)
Non-current liabilities	**12,314**	3,575	8,739	244.4%
Current liabilities	**40,982**	68,119	(27,137)	(39.8%)
Total liabilities	**53,296**	71,694	(18,398)	(25.7%)
Total equity/(deficit)	**520,012**	618,636	(98,624)	(15.9%)

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

Founded in 2014, we are committed to becoming a global leading vascular interventional surgical robotics company, with our current focus on the design, development and commercialization of caFFR System, caIMR System and IVD. Our Core Products, caFFR System and caIMR System, are innovative medical devices used to evaluate the severity of myocardial ischemia arising from coronary artery stenosis and microvascular dysfunction, which are the underlying causes of CAD. They are designed to eliminate the usage of pressure wires, significantly reduce the risk of technical errors and operation time, and improve physiological assessment. These two systems are currently utilized singularly for precision diagnosis of CAD. As FFR measures the macro-circulation of arteries which account for 5% of all arteries and IMR measures the micro-circulation of arteries which account for 95% of all arteries, therefore, using a combination of IMR and FFR can provide a comprehensive evaluation on the coronary circulation status of CAD patients. In addition, our two systems were included into the Expert Consensus on Computation of Coronary Physiological Assessment Technology in China (《中國計算冠狀動脈生理學檢測技術專家共識》) in December 2022. The Expert Consensus fills the gap of the lack of guidance and norm in the clinical application of physiological indicators calculation in the intervention of coronary heart disease in China, and provides a basis for its standardized application and expansion of the scope of application. These two systems are also expected to form the core and crucial modules for our future vascular interventional surgical robots.

Our caFFR System has obtained both certificates of CE Mark in Europe and approvals from NMPA and several other countries. With the high accuracy rate of over 95% and convenient operation process that takes less than five minutes, our caFFR System has become a leading domestic FFR measurement product. We plan to expand the indication of our caFFR System from the current scope (covering patients with stable angina pectoris, unstable angina pectoris and post-acute phase of myocardial infarction) to further cover patients experiencing acute STEMI, acute NSTEMI and HFpEF. In addition, our caIMR System has obtained NMPA approval in April 2023, which is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and becomes the first less-invasive IMR system approved for commercialization globally. Building on our caFFR System and caIMR System, and combining with the Group's other relevant products, we plan to launch our vascular interventional robot that can be carried out for diagnostic and therapeutic purposes by connecting and integrating all our clinical applications to automate the whole process of PCI.

In March 2023, the Group acquired 68.32% equity interests of Tianjin Yuehekang Biotechnology Co., Ltd.* (天津悅和康生物技術有限公司) ("**Tianjin Yuehekang**"), which became an indirect subsidiary of the Company. Tianjin Yuehekang is a diversified high-tech enterprise engaging in the research and development, production and marketing of in vitro diagnostic products. Its principal business is in the field of biochemical in vitro diagnostic reagents. It currently has obtained 85 Class II registration certificates for biochemical diagnostic reagent products and corresponding production licenses, covering major diagnostic categories such as liver function, kidney function, blood lipids, and cardiac muscle, and has a wider coverage of products, in particular a series of innovative precision diagnostic products for cardiovascular IVD such as "coagulation" and "peptide" that are under R&D. The precision diagnostic products of the Group will expand from "covering all procedures of the surgery" to "check-up upon hospitalization" and "bedside check-up", further improving the Group's product layout.

Commercialization

In 2023, amidst the volatile market conditions, we kept on expanding the market channels of our caFFR System, caIMR System and IVD in the industry, and achieved steady results, which strengthened our competitive advantages in the relevant fields. Our revenue decreased from RMB83.6 million for the year ended December 31, 2022 to RMB73.2 million for the year ended December 31, 2023, substantially all of which were generated from the sales of our caFFR System and caIMR System, representing a year-on-year decrease of approximately 12.4%.

We have a proven track record in commercializing our Core Products, caFFR System, with a comprehensive commercialization network in China. We actively engage with KOLs — such as Dr. Ge Junbo and Dr. Huo Yong — physicians and medical associations as a part of our academic promotion and marketing strategy. As of December 31, 2023, our efficient and highly experienced sales team have established an extensive distribution network comprising 144 domestic distributors who are authorized by us to cover over 700 hospitals across 22 provinces, four autonomous regions and four municipal cities in China. With our effective and extensive sales and marketing activities, as of December 31, 2023, our caFFR System had been sold to and installed in over 650 hospitals and had been performed at over 1,350 hospitals in China, and we had completed the procurement approval procedure with over 650 hospitals in China. We have also obtained the patient charging price of RMB10,200 to RMB12,000 for our proprietary consumable of caFFR System in 33 provinces and regions, among which 24 provinces and regions (such as Shanghai, Guangdong, Chongqing, Henan, etc.) included our proprietary consumable of caFFR System into the medical insurance reimbursement list.

Research and Development

Our R&D team develops innovative products focusing on the field of interventional precision diagnosis and treatment. We have a dedicated in-house R&D team of over 100 members primarily based in Suzhou, Jiangsu province, China. The R&D team accounts for around one third of our total employees and is led by Mr. Liu Guangzhi, our chief technology officer, who has over 10 years of experience in medical device development and over 17 years of experience in software and algorithm development as well as profound management experience.

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

As of December 31, 2023, we had (i) 173 approved patents, including 156 approved in China, 5 approved in the U.S. and 12 approved in Japan; (ii) 137 pending patent applications, including 101 in China and 36 overseas; (iii) 11 active PCT patent applications; (iv) 292 registered trademarks; and (v) 15 registered software copyrights.

Manufacturing

Our commercialization efforts are well supported by our growing manufacturing capability. As of December 31, 2023, we had three manufacturing sites, two of which were located in Suzhou, Jiangsu province, China, and one was located in Tianjin province, China, with a production base area of approximately 7,962 sq.m. Our principal manufacturing facilities are in compliance with the GMP for medical devices in China. It is expected to be able to produce 11,375 units of consoles as well as 1,130,765 units of pressure transducers (disposable consumables) and over 80 types of IVD products each year. The console and the single-use pressure transducer can be used for assembling our caFFR System and caIMR System. In addition, we acquired approximately 20,000 sq.m. of land in Suzhou, Jiangsu Province, China in May 2023 for the construction of our own manufacturing and R&D bases, which will integrate our existing manufacturing facilities and R&D facilities, enhance the overall strength of our Group and provide a convenient site for our future manufacturing pipelines.

Product and Pipeline

Products and Product Candidates[2]			Indication	Type	Stage (Preclinical / Clinical / Registration / Approval)	Upcoming Milestone	Expected Commercial Launch
Vascular Interventional Diagnosis and Treatment Surgical Robot	Digital Functional Diagnostic Module	★ caFFR System (comprising the FlashAngio caFFR System and the FlashPressure caFFR pressure transducer)	Coronary Artery Disease	III	China – NMPA Approval	N/A	Launched
				III	China – Post Registration clinical trial for indication expansion [1]	Application for registration	2026
				IIa	Europe – CE Mark: exempted from clinical trial requirement	N/A	Launched
				II	Japan, South Korea	Plan for admission in South Korea (2024Q2)	2025
				II	United States	Paused in September 2023	–
		★ caIMR System (comprising the FlashAngio caIMR System and the FlashPressure caIMR pressure transducer)	Coronary Artery Disease	III	China – NMPA Approval	N/A	Launched
				III	China – Post Registration clinical trial for indication expansion [3]	Initiation of clinical trials (2024Q4)	2026
				IIa	Europe [2] – CE Mark: exempted from clinical trial requirement	Acceptance process of registration submission	2024Q2
				II	Japan, South Korea	Plan for admission in South Korea (2024Q2)	2025
				II	United States	Paused in September 2023	–
	Automated Interventional Module	▲ Intelligent Angiographic Injection System	Vascular Disease	III	NMPA Approval: Exempted from clinical trial requirement	Discontinued	–
		Flash Robot Vascular Intervention Navigation Operation System	Coronary Artery Disease	III		Initiation of registration inspection (2024Q3)	2026
			Peripheral Vascular Disease	III		Initiation of clinical trials (2026Q3)	2027
			Neurovascular Disease	III		Initiation of clinical trials (2026Q3)	2027
		Flash RDN System	Hypertension	III		Discontinued	–

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

Notes:

(1) Indication expansion of caFFR System includes acute STEMI, acute NSTEMI and HFpEF.

(2) We have global commercial rights for all of our products and product candidates.

(3) Indication expansion caIMR System includes STEMI immediately after successful revascularization of targeted vessels.

caFFR System

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

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

caIMR System

We have completed our caIMR System and obtained NMPA approval. Our caIMR System is a Class III medical device under the classification criteria of the NMPA, and such system is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and becomes the first less-invasive IMR system approved for commercialization globally. In May 2022, Dr. Ge Junbo, the president of the Cardiovascular Society of the Chinese Medical Doctor Association and the chief of the Department of Cardiology in the Zhongshan Hospital of Fudan University, published the confirmatory clinical research results of our caIMR System at the European Association of Percutaneous Cardiovascular Interventions, the world's top academic conference for cardiovascular intervention. Compared with wire-based IMR, the diagnostic performance of our caIMR System indicated a diagnostic accuracy of 93.8%, sensitivity of 95.1%, and specificity of 93.1%. We obtained NMPA approval for commercialization of our caIMR System in April 2023.

Flash Robot Vascular Intervention Navigation Operation System

Flash Robot Vascular Intervention Navigation Operation System is our proprietary robot-assisted platform designed for navigation and operation. We plan to provide a "one-stop hybrid procedure" that can be carried out for diagnostic and therapeutic purposes at the same time in the future. Robotic-assisted operation enables precise measurement of anatomy and device positioning with the added benefit of radiation protection for the physicians. Consisting of a robotic arm and a control unit (including a console and a surgical image navigation system), our Flash Robot Vascular Intervention Navigation Operation System allows physicians to precisely guide a catheter through the patient's blood vessels and further perform the operation. As of December 31, 2023, the Flash Robot Vascular Intervention Navigation Operation System was at its research improvement stage. In February 2022, our Flash Robot Vascular Intervention Navigation Operation System entered into the animal study stage and successfully passed the first animal trial sample.

IVD Products

Our IVD product business is in the field of biochemical in vitro diagnostic reagents. We currently have obtained 85 Class II registration certificates for biochemical diagnostic reagent products and corresponding production licenses, covering major diagnostic categories such as liver function, kidney function, blood lipids, and cardiac muscle, and has a wider coverage of products. Currently, a series of innovative precision diagnostic products for cardiovascular IVD such as "coagulation" and "peptide" are under R&D, further improving the Group's product layout.

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

Outlook and Prospect

In the past year, the compliance of medical devices became stricter, and the market was full of uncertainties. We made more arduous efforts than before, and still achieved gratifying results. The income level remained relatively the same as that of the previous period. The core product caIMR system successfully obtained the approval for commercialization from the NMPA, and the *in vitro* diagnostic field was developed through the acquisition of Tianjin Yuehekang, thereby expanding the Group's business. Looking ahead to 2024, despite the challenging industry situation, we still need to strengthen the Company's competitive advantages in the field of FFR and IMR, increase the coverage and market strengths of IVD products, actively develop overseas markets, enhance penetration rate in the market of mainland China, and strive to achieve healthy growth and high-quality development throughout 2024.

II. Financial Review

Revenue

Substantially all of our revenue was generated from the sales of our caFFR System and caIMR System since their commercialization. We sold substantially all of our products through our distributors for the years ended December 31, 2023 and 2022. Our contracts with distributors include a component of installing our devices and training services in addition to delivering products. We recognize revenue for sales of products upon delivery and recognize revenue for installation and training services after we have completed the relevant services. The following table sets forth a breakdown of our revenue by nature for the years indicated:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Sales of products		
— Sales of FlashAngio caFFR System	**4,182**	14,239
— Sales of FlashPressure caFFR pressure transducer	**55,011**	68,395
— Sales of FlashAngio caIMR system	**6,883**	—
— Reagents and others	**6,608**	—
Installation and training services	**535**	970
Total	**73,219**	83,604

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 30.4% from RMB69.8 million for the year ended December 31, 2022 to RMB48.6 million for the year ended December 31, 2023, primarily due to the decreased sales of our caFFR System. Our gross profit margin decreased from 83.5% for the year ended December 31, 2022 to 66.3% for the same period in 2023, primarily due to the change of product structure.

Research and Development Expenses

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses	**22,213**	25,371
Raw material costs	**7,004**	5,174
Professional service expenses	**2,113**	4,772
Clinical trial and testing expenses	**4,421**	2,019
Share-based payment expenses	**608**	2,325
Depreciation and amortization charges	**3,617**	2,225
Other expenses	**1,352**	2,286
Total	**41,328**	44,172

Our R&D expenses decreased from RMB44.2 million for the year ended December 31, 2022 to RMB41.3 million for the year ended December 31, 2023, representing a year-on-year decrease of approximately 6.4%. Such decrease was primarily due to (i) a decrease of RMB3.2 million in employee benefit expenses mainly as a result of capitalization of R&D expenditures incurred for our Core Products; (ii) a decrease of RMB2.7 million in professional service expenses as a result of capitalization of R&D expenditures; and (iii) a decrease of RMB1.7 million in share-based payment expenses as a result of the Pre-IPO Share Option Scheme granted to certain members of our R&D team in 2022.

Selling Expenses

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses	**41,179**	35,370
Marketing development expenses	**22,629**	22,860
Share-based payment expenses	**1,688**	3,592
Depreciation and amortization charges	**2,599**	3,017
Other expenses	**2,774**	1,911
Total	**70,869**	66,750

Our selling expenses increased from RMB66.8 million for the year ended December 31, 2022 to RMB70.9 million for the year ended December 31, 2023, representing an increase of approximately 6.2% as compared to the same period in 2022. Such increase was primarily due to an increase of RMB5.8 million in employee benefit expenses mainly as a result of an increase in our sales and marketing employee headcount to support our increasing sales and marketing activities.

General and Administrative Expenses

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses	**41,784**	51,769
Listing expenses	**—**	20,756
Depreciation and amortization charges	**7,893**	9,166
Professional service expenses	**6,128**	6,681
Share-based payment expenses	**5,111**	7,039
Travel expenses	**751**	309
Other expenses[Note]	**13,029**	13,597
Total	**74,696**	109,317

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

Our general and administrative expenses decreased from RMB109.3 million for the year ended December 31, 2022 to RMB74.7 million for the year ended December 31, 2023, representing a year-on-year decrease of approximately 31.7%. Such decrease was primarily due to (i) a decrease of RMB20.8 million in listing expenses; (ii) a decrease of RMB10.0 million in employee benefit expenses as a result of a decrease in our administrative employee headcount.

Other Income

Our other income increased from RMB5.3 million for the year ended December 31, 2022 to RMB5.5 million for the year ended December 31, 2023, primarily due to an increase in government grants related to costs.

Income Tax Credit

Our income tax credit decreased from RMB5.5 million for the year ended December 31, 2022 to RMB0.02 million for the year ended December 31, 2023, primarily due to the recognition of deferred income tax assets mainly resulted from the decrease in deductible loss before income tax recognized in 2023.

Fair Value Loss of Financial Liabilities

Our fair value loss of financial liabilities represented the changes in fair value of the preferred shares in relation to our Series Angel-1, Series Angel-2, Series A+, Series B, Series C-1, Series C-2 and Series D Preferred Shares (collectively, "**Refundable Preferred Shares**"). Subsequent to initial recognition, changes in the fair value of our Refundable Preferred Shares are recognized in the consolidated income statement. Upon the listing on July 8, 2022, the Refundable Preferred Shares have been irrevocably converted into ordinary shares, after which no further loss or gain on fair value changes of the Refundable Preferred Shares should be recognized. As a result, our fair value loss of financial liabilities decreased significantly from RMB1,210.9 million for the year ended December 31, 2022 to nil for the year ended December 31, 2023.

Loss for the Year

For the reasons described above, we recorded a loss of RMB117.1 million for the year ended December 31, 2023, compared with a loss of RMB1,346.0 million for the year ended December 31, 2022.

Liquidity and Financial Resources

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

For the year ended December 31, 2023, our net cash used in operating activities was RMB124.3 million, primarily because we incurred significant R&D expenses, administrative expenses and selling expenses during the Reporting Period. Our operating cash flow will continue to be affected by our operating expenses such as R&D expenses. During the Reporting Period, we mainly relied on capital contribution from Shareholders and equity financing as the main source of liquidity. Our management closely monitors the utilization of cash and cash balances and strives to maintain healthy liquidity for our business. Going forward, we believe that our liquidity requirements will be satisfied with the net proceeds from the Global Offering, our cash and cash equivalents on hand and cash generated from our operations.

For the year ended December 31, 2023, our net cash generated from investing activities was RMB180.3 million, primarily attributable to proceeds from disposal of short-term bank deposits of RMB479.3 million, which was offset by purchases of short-term bank deposits, purchase of property, plant and equipment and purchases of intangible assets of RMB187.9 million, RMB84.7 million and RMB26.3 million, respectively.

For the year ended December 31, 2023, our net cash used in financing activities was RMB15.9 million, primarily attributable to proceeds from bank borrowings of RMB30.6 million, which was partially offset by repayments of bank borrowings and lease payment of RMB33.3 million and RMB12.3 million, respectively.

As at December 31, 2023, our cash and cash equivalents amounted to RMB134.1 million, representing an increase of RMB43.0 million from RMB91.1 million as at December 31, 2022. Our net current assets decreased from RMB535.3 million as at December 31, 2022 to RMB328.2 million as at December 31, 2023, primarily attributable to the decrease in bank deposits with the maturity of over three months.

Indebtedness

As at December 31, 2023, we had an outstanding balance of borrowings of RMB15.6 million. We had unutilized bank facilities of RMB490.0 million.

Our lease liabilities decreased from RMB11.0 million as at December 31, 2022 to RMB4.4 million as at December 31, 2023, primarily attributable to lease payments.

Capital Commitments

As at December 31, 2023, we had capital commitments contracted but not provided for of RMB356.0 million in relation to the purchase of construction and furnishing services and equipment for the Group's production plants.

Charges on Assets

As at December 31, 2023, the Group's bank borrowings were secured by the Group's equity interest in one subsidiary of RMB26.0 million.

Contingent Liabilities

As at December 31, 2023, we did not have any material contingent liabilities (as at December 31, 2022: nil).

Significant Investments, Material Acquisitions and Disposals

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

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

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Investment is more than 5% but less than 25%, the Investment constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. Please refer to the Company's announcements dated March 1, 2023 and March 20, 2023 for details.

The Entering Into of the Construction Agreement

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

On March 24, 2023, Suzhou Rainmed Robot Co., Ltd.* (蘇州潤邁德機器人有限公司), an indirect wholly-owned subsidiary of the Company, entered into a construction agreement (the "**Construction Agreement**") with Wujiang Construction Engineering (Group) Co., Ltd.* (吳江市建設工程（集團）有限公司) (the "**Contractor**"), pursuant to which the Contractor will undertake the construction and engineering works of manufacturing facilities, office buildings and supporting facilities on a piece of land located in Wuzhong District, Suzhou, Jiangsu Province, the PRC with a construction area of approximately 75,600 sq.m. at a consideration of RMB430,000,000. The construction works are expected to be completed within 730 days after the commencement date, which will be specified in the commencement report or commencement notice, and is currently under construction.

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

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

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

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

Please refer to the Company's announcement dated March 27, 2023 and the Company's circular dated April 20, 2023 for further details.

Foreign Exchange Exposure

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

Key Financial Ratios

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

	As at December 31,	
	2023	2022
Quick ratio(1)	**8.8**	8.7
Gearing ratio(2)	**Not meaningful**	Not meaningful

Notes:

(1) Quick ratio is calculated by dividing current assets less inventories as of a given date by current liabilities as at such date.

(2) Gearing ratio is calculated using interest-bearing bank and other borrowings less cash and cash equivalents divided by total equity and multiplied by 100%. Gearing ratio is not meaningful as our interest-bearing bank and other borrowings less cash and cash equivalents were negative.

Future Plans for Material Investments or Capital Assets

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

Human Resources

As at December 31, 2023, the Group employed 406 full-time employees, all of whom were stationed in China. During the Reporting Period, the Group's total employee benefit expenses (including (i) wages, salaries and bonuses; (ii) social security costs; (iii) employee benefits; and (iv) equity-settled share awards) amounted to approximately RMB7.48 million. We recruit our employees based on a number of factors, including their work experience, educational background and the requirements of the relevant vacancies. We invest in continuing education and training programmes for our management staff and other employees to continuously improve their skills and knowledge. We provide regular feedback to our employees, as well as internal and external training in various areas such as product knowledge, project development and team building. We also assess the performance of our employees to determine their salaries, promotion opportunities and career development. In accordance with the relevant PRC labour laws, we enter into individual employment contracts with our employees covering matters such as tenure, wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. In addition, we are required under PRC law to make contributions to statutory employee benefit plans (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds) at certain percentages of the salaries (including bonuses and allowances) of our employees, up to a maximum amount specified by the local government. The adoption of the Pre-IPO Share Option Scheme of 707,628 Shares (or 35,381,400 Shares as adjusted after the capitalization issue) as further described in the Prospectus was approved at the Board meeting of the Company held on December 10, 2021. The purpose of the Pre-IPO Share Option Scheme is to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group. The Pre-IPO Share Option Scheme also helps the Company to modernize its remuneration practices and improve the balance of interests among Shareholders, operation and execution management by aligning their interests.

Subsequent Events after the Reporting Period

No significant events occurred since the end of the Reporting Period.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Huo Yunfei (霍雲飛), aged 46, is our chairman of the Board, executive Director and chief executive officer. He was appointed as our Director on April 9, 2021 and was re-designated as the chairman of the Board, executive Director and chief executive officer of our Group on December 10, 2021. He is responsible for supervising and providing overall management business, and strategy of our Group. Mr. Huo founded Suzhou Runxin Medical Instrument Co., Ltd. (蘇州潤心醫療器械有限公司) ("**Suzhou Runxin**") in August 2014, and he has more than seven years of experience in the medical device industry.

Mr. Huo serves as director of several subsidiaries of our Group. Since March 2021, he has been serving as a director of Rianmed BVI Limited and Hong Kong Rainmed Medical Limited and he is responsible to shareholders' meeting and presiding over the relevant affairs of the Board. In addition, he has been serving as an executive director and a director of Beijing Runxin Medical Technology Co., Ltd. (北京潤心醫療科技有限公司) ("**Beijing Runxin**") and Rainmed Medical Inc. since August 2020 and November 2019, respectively, and he is responsible for the company's overall management. He has also been serving as a chairman and chief executive officer of Suzhou Rainmed Medical Technology Co., Ltd. (蘇州潤邁德醫療科技有限公司) ("**Suzhou Rainmed**") since September 2020, and he is responsible for the company's overall management. Mr. Huo also served as a chairman of the board and a general manager of Suzhou Runxin from August 2014 to August 2020, and he was responsible to the shareholders' meeting and presiding over the relevant affairs of the Board.

Prior to joining our Group, Mr. Huo worked at Aspire Information Technology (Beijing) Co., Ltd. (卓望信息技術(北京)有限公司) ("**Aspire Beijing**") from December 2008 to December 2013, a subsidiary of China Mobile Limited, a listed company on the main board of the Stock Exchange (stock code: 0941.HK) and principally engaged in IT, ICT platform and application development services. He was also a chief engineer of Aspire Technologies (Shenzhen) Ltd. (卓望數碼技術(深圳)有限公司), a subsidiary of China Mobile Limited as well and principally engaged in software development supporting communications and the Internet, and he was responsible for internet marketing platform project from August 2005 to November 2008. Moreover, he worked at Siemens Ltd., China (西門子(中國)有限公司) from October 2004 to September 2005, a branch of Siemens AG (a listed company on the Frankfurt Stock Exchange (stock code: SIE)) and principally creates technology with purpose and focuses on digital innovations, combining the global R&D systems and extensive network of innovation centers with local business needs.

Mr. Huo obtained his bachelor's degree in information science from Beijing Institute of Technology (北京理工大學) in the PRC in July 2000. He further obtained his master's degree in advanced computer science from the University of Manchester in the United Kingdom in December 2003.

Mr. Huo is the cousin of Ms. Gu Yang, our executive Director and vice president.

Mr. Lyu Yonghui (呂永輝), aged 47, is our executive Director and joint chief executive officer. He was appointed as the executive Director and joint executive officer on December 10, 2021. He is responsible for overseeing the sales and marketing of our Group. Since January 2021, he has been serving as a chief executive officer of Beijing Runxin and a co-chief executive officer of Suzhou Rainmed, and he is responsible for the marketing related works. Mr. Lyu has more than 20 years of experience in the medical equipment industry.

Prior to joining our Group, Mr. Lyu worked at Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司) from July 2001 to December 2020, a company primarily engaged in R&D and production of medical devices and drugs, and he was responsible for the sales of cardiovascular devices where his last position was deputy general manager. In addition, he was the process engineer of Luoyang Ship Material Research Institute (中國船舶重工集團公司第七二五研究所) ("**LSMRI**") from July 1996 to July 2001, an institution engaged in the research, development and application of shipbuilding materials.

Mr. Lyu obtained an undergraduate diploma in industrial engineering from Zhengzhou University (鄭州大學) in the PRC in December 2003. He also obtained his master's degree in senior management business administration from Renmin University of China (中國人民大學) in the PRC in January 2011. In addition, he received his senior engineer qualification in December 2008 issued by LSMRI. Mr. Lyu was approved by the China Association of Medical Equipment (中國醫學裝備協會) as the meeting member of the first standing committee of the cardiovascular equipment technology committee of the China Association of Medical Equipment (中國醫學裝備協會心血管裝備技術專業委員會) in September 2018, was elected as a member of the sixth council of China Association of Medical Equipment (中國醫學裝備協會) in July 2015 and was elected as a member of the seventh council of China Association of Medical Equipment in April 2022. He has also been a vice president of national association of health industry and enterprise management medical device business branch (全國衛生產業企業管理協會醫療器械商業分會) since November 2021.

Mr. Zhang Liang (張亮), aged 41, is our executive Director, chief financial officer and joint company secretary. He was appointed as our executive Director, chief financial officer and joint company secretary on December 10, 2021. He is responsible for supervising the internal financial control and securities works of our Group. Since March 2021, he has been served as the chief financial officer of Suzhou Rainmed, and is responsible for internal control and financial affairs. He served as the chief financial officer of Suzhou Runxin from January 2021 to February 2021, and he was responsible for the internal control and financial affairs. Mr. Zhang has over 16 years of experience in enterprises senior management especially in compliance, investment and financing.

Prior to joining our Group, he joined Yunnan Water Investment Co., Limited (雲南水務投資股份有限公司) ("**Yunnan Water**"), a company listed on the main board of the Stock Exchange (stock code: 6839.HK), and served as the board secretary from September 2015 to December 2016 and rejoined as the board secretary from September 2017 to February 2021. Then he served as an alternate to the authorized representative of Yunnan Water from November 2019 to November 2021, and he was responsible for compliance and acted as the channel of communication between the company and the Stock Exchange. He was the founder, chief technology officer and chief financial officer of H.C. Operation Capital Limited (港陸資本運營有限公司),a company engaged in enterprise management consulting services, and he was responsible for project operations and quality control from October 2015 to December 2020. He was also the board secretary of Shenzhen Wangtong E-commerce Company Limited (深圳市網通電子商務有限公司) from July 2014 to June 2015, an e-commerce company. In addition, he served as vice president and board secretary of Shenzhen Jinxin Industry Group Co., Ltd. (深圳金信實業集團有限公司), a financial affairs service company, and he was responsible for capital operation and management from May 2013 to June 2014. He was also the board secretary and deputy investment general manager of Leoch International Technology Limited (理士國際技術有限公司) (0842.HK) ("**Leoch**"), a Hong Kong listed company engaged in R&D and sales of batteries, and he was responsible for the internal control and public affairs from November 2006 to May 2013.

Mr. Zhang obtained an undergraduate diploma in lawyer from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2004. He further obtained his master's degree in executive business administration from Jilin University (吉林大學) in the PRC in December 2017. He was qualified as the board secretary from Shenzhen Stock Exchange in September 2016.

Ms. Gu Yang (谷陽), aged 37, is our executive Director and vice president. She was appointed as our Director on November 23, 2021 and was re-designated as the executive Director and vice president on December 10, 2021. She is responsible for supervising the human resources of our Group. Since March 2021, she has been serving as a vice president of Suzhou Rainmed. She has also been a supervisor of Beijing Runxin since August 2020. She also worked as the director of general management department of Suzhou Runxin from August 2014 to February 2021.

Prior to joining our Group, Ms. Gu worked at Aspire Beijing, a subsidiary of China Mobile Limited (中國移動有限公司) from June 2012 to April 2014, a listed company on the main board of the Stock Exchange (stock code: 0941.HK) and primarily engaged in IT, ICT platform and application development services.

Ms. Gu obtained her bachelor's degree in information management and information systems from Tianjin University Ren'ai College (天津大學仁愛學院) in the PRC in July 2010. She received her certificate of human resources management II issued by the Vocational Skills Appraisal Center of Ministry of Human Resources and Social Security (人力資源和社會保障部職業技能鑑定中心) in December 2017.

Ms. Gu is the cousin of Mr. Huo Yunfei, our chairman of the Board, executive Director and chief executive officer.

Non-executive Directors

Mr. Wang Lin (王霖), aged 39, is our non-executive Director. He was appointed as our Director on November 23, 2021 and was re-designated as our non-executive Director on December 10, 2021. He is responsible for providing guidance on investment strategy and governance to our Group.

Prior to joining our Group, Mr. Wang has been working at Ping An Capital Co., Ltd. (平安資本有限責任公司) since March 2019, where his current position is SVP of trust private equity division. He served as a senior deputy director of investment of Ping An Caifu Licai Management Co. Ltd. Shanghai branch (平安財富理財管理有限公司上海分公司) from August 2013 to February 2019, an investment management company. He also served as a senior investment manager of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司) (stock code: 600196.SH) (stock code: 02196.HK) from August 2011 to August 2013, a leading innovation-driven international healthcare group. Prior to that, Mr. Wang started his career at Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)) in July 2007.

Mr. Wang obtained his bachelor's degree in economics and master's degree in business administration from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2007 and March 2014, respectively. He has been a certified internal auditor approved by the Institute of Internal Auditors since November 2009. In addition, he has successfully met the prescribed requirements for certification as established by the Information Systems Audit and Control Association and has been awarded the professional designation of Certified Internal Information Systems Auditor since December 2010.

Mr. Heng Lei (衡磊), aged 36, is our non-executive Director. He was appointed as our Director on November 23, 2021 and was re-designated as our non-executive Director on December 10, 2021. He is responsible for providing guidance on investment strategy and governance to our Group.

Mr. Heng has been a director of investment of Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理股份有限公司) (Stock Code: 832793.NEEQ), a professional private equity investment company, since January 2022 and an Associate Director of Investment from July 2017 to January 2022. Prior to joining our Group, he served as an analyst of SIP Oriza PE Fund Management Co., Ltd. (蘇州工業園區元禾重元股權投資基金管理有限公司) from April 2015 to June 2017, a subsidiary of Suzhou Oriza Holdings Co., Ltd. (蘇州元禾控股股份有限公司), an investment holding enterprise with a fund scale of more than RMB100 billion. He also worked as an investment manager of SanPower Group Co., Ltd (三胞集團有限公司) from June 2014 to March 2015, a multi-national conglomerate whose core business engagements are within the technology and modern service industries. Moreover, he served as an investment manager of SND Ventures Group Co., Ltd. (蘇州高新創業投資集團有限公司) from May 2012 to June 2014, an equity investment company.

Mr. Heng obtained his bachelor's degree in biology science and master's degree in immunology from Soochow University (蘇州大學) in the PRC in June 2009 and June 2012, respectively.

Independent Non-executive Directors

Mr. Liu Shuen Kong (廖船江), aged 51, is our independent non-executive Director. He was appointed as an independent non-executive Director on December 10, 2021 with effect from the Listing Date and is responsible for supervising and providing independent judgment to our Board. Mr. Liu has more than 20 years of experience in accounting, auditing and management.

Prior to joining our Group, Mr. Liu has been served as an independent non-executive director of Yunnan Water since June 2018 and an executive director of Lim Hoi Group Limited (鐮海集團有限公司) since August 2022. He has been a managing director of Futec International Holdings Limited (富德國際控股有限公司) since May 2017, a company engaged in professional financial services. He was the chief financial officer, company secretary and executive director of Shenzhen Yestock Automobile Service Co., Ltd. (深圳市贏時通汽車服務有限公司) from January 2014 to March 2017, a car rental company. He was also the chief financial officer of Leoch, a company listed in the main board of the Stock Exchange and primarily engaged in R&D and sales of batteries, and he was responsible for financing, investment and corporate management from September 2010 to November 2013. In addition, Mr. Liu has worked at KPMG Advisory (China) Limited (畢馬威企業諮詢(中國)有限公司) for 14 years from December 1996 to September 2010 where his last position was senior manager.

Mr. Liu obtained his bachelor's degree in accountancy and master's degree in accountancy from Royal Melbourne Institute of Technology (RMIT) University in Australia in November 1997 and September 2003, respectively. He subsequently obtained another master's degree in business administration from Deakin University in Australia in October 2004. He has been a certified public accountant in Australia since May 2000 and a member of Hong Kong Society of Accountants since July 2000.

Mr. Li Ho Man (李浩民), aged 40, is our independent non-executive Director. He was appointed as an independent non-executive Director on December 10, 2021 with effect from the Listing Date and is responsible for supervising and providing independent judgment to our Board.

Mr. Li has profound experience in legal industry. Mr. Li served as an independent non-executive director of Yorkey Optical International (Cayman) Ltd. (Stock Code: 2788.HK) from November 2021 to March 2022. Prior to joining our Group, Mr. Li has been an independent non-executive director of Yorkey Optical International (Cayman) Ltd. since November 2021. He worked at H.Y. Leung & Co. LLP from January 2021 to November 2021, where his last position was a consultant. He joined L&C Legal LLP (a Hong Kong law firm in association with Jingtian & Gongcheng from September 2018 and later renamed as Jingtian & Gongcheng LLP in April 2019) and served as a senior associate from September 2018 to January 2019 and as a salaried partner from January 2019 to June 2020. He served as a senior associate of Mayer Brown from February 2018 to August 2018 and as a senior associate of Holman Fenwick Willan from June 2017 to February 2018. In addition, he has been practicing law and has gained experience in Hong Kong listing and compliance matters as an associate at various law firms, including Troutman Sanders from September 2014 to June 2017, Fangda Partners from August 2013 to August 2014, DLA Piper (Hong Kong) from April 2011 to July 2013, Iu, Lai & Li from October 2010 to April 2011 and Stevenson Wong & Co. from September 2009 to June 2010. Moreover, he joined Deacons as a paralegal in April 2006 and further served as a trainee solicitor from August 2007 to July 2009.

Mr. Li obtained his bachelor's degree in law and post graduate certificate in laws from the University of Hong Kong in June 2005 and June 2007, respectively. He was qualified as a solicitor of the High Court of Hong Kong in December 2009.

Mr. Chen Xuefeng (陳雪峰), aged 42, is our independent non-executive Director. He was appointed as an independent non-executive Director on August 15, 2023, and is responsible for supervising and providing independent judgment to our Board. Mr. Chen has profound experience in financing and investment.

Prior to joining the Group, Mr. Chen served as an associate of Guangdong Jundao Law Firm* (廣東君道律師事務所) from April 2007 to October 2010 and as a partner of Guangdong Ruiting Law Firm* (廣東瑞霆律師事務所) from October 2010 to April 2012, thus he gained extensive experience in capital market. From April 2012 to April 2015, he served as a vice president of Shenzhen Jinxin Industrial Group Co., Ltd* (深圳市金信實業集團有限公司). Since September 2015, he has been a managing director and person in charge of the investment and financing management department of Shenzhen Tiantu Capital Management Center (Limited Partnership)* (深圳天圖資本管理中心（有限合夥）), where he is responsible for fund management and project post-investment management. Since September 2023, he has been serving as an independent non-executive director of Yunji Inc. (NASDAQ: YJ).

Mr. Chen obtained a Bachelor of Laws degree from the Southwest University of Political Science and Law (西南政法大學) in the PRC in July 2004. He further received the legal professional qualification certificate in the PRC in February 2007. Mr. Chen has been certified as a certified public accountant and a certified tax agent in the PRC since December 2015 and June 2011, respectively.

Senior Management

Mr. Huo Yunfei (霍雲飛), details of which are set out in the paragraph headed "Executive Directors" in this section.

Mr. Lyu Yonghui (呂永輝), details of which are set out in the paragraph headed "Executive Directors" in this section.

Mr. Zhang Liang (張亮), details of which are set out in the paragraph headed "Executive Directors" in this section.

Ms. Gu Yang (谷陽), details of which are set out in the paragraph headed "Executive Directors" in this section.

Mr. Liu Guangzhi (劉廣志), aged 44, is our chief technology officer. He was appointed as the chief technology officer on December 10, 2021. He is responsible for supervising the R&D projects and laboratories. Since August 2020, he has been a manager of Beijing Runxin. He has also served as the chief technology officer of Suzhou Rainmed since September 2020, a subsidiary of our Company, and as a deputy general manager of Suzhou Runxin from August 2014 to August 2020, and was responsible for R&D and clinical medicine.

Prior to joining our Group, Mr. Liu worked for four technology companies from April 2005 to February 2014, including, as the manager of business department at Beijing Tonglian Tiandi Technology Co., Ltd. (北京通聯天地科技有限公司) from February 2012 to February 2014, a company engaged in internet operations, where his primary responsibilities were business management and product research and development; as the R&D manager at Beijing Lanlong Tianyou Technology Co., Ltd. (北京藍龍天游科技有限公司) from September 2010 to January 2012, a company engaged in internet operations, where his primary responsibilities were business management and software product development; at Shenzhou Aomei Network Co., Ltd. (神州奧美網絡有限公司) from February 2007 to April 2008, a company engaged in games operations; and at Beijing Jinqiguang Electric Power Technology Co., Ltd. (北京金啟光電力技術有限公司) from April 2005 to May 2006, a company engaged in power system information management.

Mr. Liu obtained his college degree in power supply and consumption technology from Shandong Institute of Engineering (山東工程學院) (subsequently merged with Zibo College (淄博學院) as Shandong University of Technology (山東理工大學)) in the PRC in July 2001. He also passed the National Computer Rank Examination with grade 3B in April 2001.

Mr. Wu Xingyun (吳星雲), aged 47, is our vice president. He was appointed as the vice president on December 10, 2021. He is responsible for supervising supply chain department, quality department, production department and engineering department. Since March 2021, he has been served as a vice president of Suzhou Rainmed, and has been responsible for the overall management of supply chain department, quality department, production department and engineering department. He also served as the deputy general manager of Suzhou Runxin from August 2014 to February 2021 and was responsible for the overall management of supply chain department, quality department, production department and engineering department.

Prior to joining our Group, he worked at Alibaba Health Information Technology (Beijing) Limited (阿里健康信息技術(北京)有限公司), a company engaged in software development, from November 2012 to February 2013. Mr. Wu also worked at Zhimei Jiahua Advertising (Beijing) Co., Ltd. (至美嘉華廣告(北京)有限公司) from January 2012 to October 2012, a company engaged in advertisement. He served as the manager engineer of Aspire Beijing from February 2009 to January 2012, a subsidiary of China Mobile Limited (中國移動有限公司) (0941.HK) and primarily engaged in IT, ICT platform and application development services. In addition, he worked at Beijing Saihe Weiye Information Technology Co., Ltd. (北京賽和偉業信息技術有限公司), a company primarily engaged in software development, from April 2006 to November 2008. He served as the product manager of Beijing Linkhead Technologies Co., Ltd. (北京林克海德 科技有限公司), a company engaged in system integration and software development, from May 2003 to March 2006. Moreover, he worked at Ruanxun (Beijing) Information Technologies Co., Ltd. (軟訊(北京)信息技術有限公司), a company engaged in internet development, from December 2001 to April 2003. He also worked at Utstarcom Telecom Co., Ltd. Hangzhou R&D branch (華友斯達康通訊有限公司杭州研發分公司), a company engaged in communications, from September 1999 to July 2000.

Mr. Wu obtained his bachelor's degree in electronic instrument and measurement technology from Jimei University (集美大學) in the PRC in July 1999.

Mr. Zhou Chang (周昌), aged 46, is our vice president. He was appointed as the vice president on December 10, 2021. He is responsible for supervising the business development department. Since March 2021, he has been served as the vice president of Suzhou Rainmed and mainly responsible for the business development related affairs. He also served as director of business development of Suzhou Runxin, and he was responsible for the business development affairs from May 2020 to February 2021.

Prior to joining our Group, Mr. Zhou worked at Suzhou Industrial Park Human Resources Development Co., Ltd. (蘇州工業園區人力資源開發有限公司), a human resources company and he was responsible for operation management of public recruitment platform from December 2002 to September 2014.

Mr. Zhou obtained his bachelor's degree in computer and applications from Soochow University (蘇州大學) in the PRC in June 2001.

Changes in Information of the Directors

Since September 2023, Mr. Chen Xuefeng, our independent non-executive Director, has been serving as an independent non-executive director of Yunji Inc. (NASDAQ: YJ).

Save as disclosed herein and in the section headed "Directors and Senior Management" in this annual report , as of the date of this annual report, the Directors confirmed that no change in information was required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' REPORT

The Board of Directors is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands as an exempted limited company on April 9, 2021 in accordance with the Companies Act (As Revised) of the Cayman Islands. The Shares were listed on the Stock Exchange on July 8, 2022 (stock code: 2297).

The Group is principally engaged in the research, development, manufacturing and commercialization of coronary angiography-derived fractional flow reserve system and coronary angiography-derived index of microvascular resistance system. During the Reporting Period and up to the date of this annual report, there has been no major change in the nature of the Group's principal business activities.

PERFORMANCE REVIEW

A review of the Group's business during the Reporting Period, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using key financial performance indicators, particulars of important events affecting the Group during the Reporting Period, and an indication of likely future developments in the Group's business, are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report.

The Group's financial risk management objectives and policies are set out in note 3 to the consolidated financial statements. Such review and discussion form part of this Directors' Report.

FINAL DIVIDEND

Details of the consolidated loss of the Group for the year ended December 31, 2023 and the Group's financial position as of December 31, 2023 are set out in the consolidated financial statements and their accompanying notes on pages 74 to 151.

During the year ended December 31, 2023, no dividend was paid or declared by the Company or other members of the Group. No Shareholder has waived or agreed to waive any dividends.

FINANCIAL SUMMARY

The Company's Shares were listed on the Stock Exchange on July 8, 2022. A summary of the published results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from the published audited financial information and financial statements, is set out on page 152 of this annual report. This summary does not form part of the audited consolidated financial statements.

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.

Risks relating to our financial position and need for additional capital

- We have incurred significant operating losses since our inception, and may continue to incur operating losses for the foreseeable future, and the losses may increase as we expand our development of our products and product candidates, seek regulatory approvals for our product candidates, and commercialize our products.

- We had net cash outflows from our operating activities in the past and may need to obtain additional financing to fund our operations. Raising additional capital may cause dilution to our Shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

Risks relating to the development of our product candidates

- Our future growth depends substantially on the successful development of our product candidates to commercialization.

- If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results in a timely manner or at all, we may incur additional costs or experience delays in completing, or ultimately be unable to complete development and commercialization of our product candidates.

- We may not be able to develop new products that are competitive in the market, or in a timely manner or at all.

- If we encounter difficulties or delays in enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

Risks relating to the commercialization of our products

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

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

- Even if we are able to commercialize any product candidates, the pricing of such products may be subject to downward changes which may have a material adverse effect on our business and results of operations.

Risks relating to our operations

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

- If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operation and reputation could be materially and adversely affected.

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

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

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

- Our failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.

Risks relating to manufacture and supply of our products

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

- If we fail to establish our commercial manufacturing capacity after we launch our future approved product candidates in the market, or if our manufacturing capacity fails to meet the market demand, our business prospects could be materially and adversely affected.

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

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

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

Risks relating to our Intellectual property rights

- Third parties may initiate legal proceedings alleging that we have infringed, misappropriated or otherwise violated their intellectual property rights, and the outcome of such legal proceedings would be uncertain. Such proceedings could be costly and time consuming to defend, and could prevent us from developing or commercializing our product candidates, or delay the development or commercialization process.

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

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

Risks relating to extensive government regulations

- The regulatory approval processes are lengthy, expensive and inherently unpredictable. If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.

- Changes in regulatory requirements may adversely affect our business.

- Undesirable adverse events related to our products and product candidates could subject us to regulatory disciplines and other liabilities.

Risks relating to doing business in China

- The medical device industry in China is highly regulated and such regulations are subject to changes, which may adversely affect our business.

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment.

The Group has established detailed internal rules regarding environmental protection and adopted effective measures to achieve efficient use of resources, waste reduction and energy saving. For further details of the Group's environmental policies and performance, please refer to the section headed "Environmental, Social and Governance Report 2023" of this annual report, which has been prepared in accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 to the Listing Rules.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group actively communicates with stakeholders such as customers, employees, investors and shareholders, governments and regulatory agencies, suppliers and partners, and attaches great importance to the suggestions and feedback of stakeholders, which the Group regards as an important basis for improving operational management and sustainable development standards. In order to fully listen to the voices of stakeholders, the Group has established a variety of communication channels to ensure open and transparent information and efficient communication processes.

We are fully aware that communication with stakeholders is an important and continuous process. In the future, we will continue to improve the communication mechanism, actively respond to the demands of stakeholders, optimize the management and operation standards of the Company, and enhance the sustainable development performance of the Group.

Details of the Company's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company are set out on page 168 in the section headed "Environmental, Social and Governance Report 2023" of this annual report.

DIRECTORS

During the Reporting Period and up to the date of this annual report, the Directors are as follows:

Executive Directors:

Mr. Huo Yunfei *(Chairman and Chief Executive Officer)*
Mr. Lyu Yonghui *(Joint Chief Executive Officer)*
Mr. Zhang Liang *(Chief Financial Officer)*
Ms. Gu Yang *(Vice President)*

Non-executive Directors:

Mr. Wang Lin
Mr. Heng Lei

Independent non-executive Directors:

Mr. Liu Shuen Kong
Mr. Li Ho Man
Mr. Chen Xuefeng (appointed on August 15, 2023)
Mr. Lau Tsz Ho Tony (resigned on August 15, 2023)

Pursuant to Article 16.2 of the articles of association of the Company (the "**Articles of Association**"), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting.

Pursuant to Article 16.18 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Article 16.2 or Article 16.3 of the Articles of Association shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Accordingly, Mr. Huo Yunfei, Mr. Lyu Yonghui, Ms. Gu Yang and Mr. Chen Xuefeng will retire by rotation at the annual general meeting of the Company to be held on June 28, 2024 (the "**2023 AGM**") and, being eligible, offer themselves for re-election as Directors.

Details of the Directors to be re-elected at the 2023 AGM are set out in the circular to Shareholders dated April 30, 2024.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 20 to 26 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence issued by each independent non-executive Director in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company under which the initial term of his/her service contract shall be three years commencing from the date of his/her appointment until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than one month's prior notice.

Mr. Liu Shuen Kong and Mr. Li Ho Man had entered into an appointment letter with the Company for an initial term of three years from July 8, 2022 (being the Listing Date) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Mr. Chen Xuefeng has entered into an appointment letter with the Company for an initial term commencing from August 15, 2023 ending on the next AGM of the Company, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Pursuant to the Articles of Association and the applicable Listing Rules, such appointments are subject to the provisions on retirement of Directors by rotation.

Save as disclosed above, none of the Directors has entered into a service contract with the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Rule 3.25 of the Listing Rules and the Corporate Governance Code, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on the responsibilities, qualification, position and seniority of each Director and member of senior management. As for the independent non-executive Directors, their remuneration is determined by the Board based on the recommendation from the Remuneration Committee with reference to factors including the salaries paid by comparable companies, time commitment and responsibilities. The Directors receive compensation in the form of salaries, bonuses, allowances, pension scheme contributions and equity-settled share option expenses.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in note 8 to the consolidated financial statements and the section headed "Corporate Governance Report" of this annual report.

None of the Directors waived or agreed to waive any remuneration. There were no emoluments paid by the Group to any of the Directors or the five highest paid individuals during the Reporting Period as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Save as disclosed above, no other payments have been made or are payable by the Group to or on behalf of any of the Directors for the year ended December 31, 2023.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in relation to the directors' and officer's liability insurance is currently in force and was in force during the Reporting Period. The Company has arranged appropriate directors' liability insurance coverage for the directors of the Group during the Reporting Period and up to the date of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the year ended December 31, 2023 and up to the date of this annual report, no Director or entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

MANAGEMENT CONTRACTS

Save for the service contracts and letters of appointment of the Directors, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Pre-IPO Share Option Scheme, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable any Director to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

During the Reporting Period, the Company did not grant any rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company to any Directors or their respective spouses or children under the age of 18, and none of them had exercised such rights.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 31, 2023, the interests and short positions of the Directors 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), 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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register of the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Capacity/nature of interest	Number of Shares/ underlying shares	Approximate percentage of shareholding in the Company[9] (%)	Long position/ short position/ lending pool
Mr. Huo Yunfei	Founder of a discretionary trust[1]	214,749,000	18.39	Long position
	Beneficial owner[2]	2,996,400	0.26	Long position
	Beneficial owner	599,000	0.05	Long position
Mr. Lyu Yonghui	Interest in controlled corporations[3]	30,937,000	2.65	Long position
	Beneficial owner[4]	1,350,000	0.12	Long position
Mr. Zhang Liang	Interest in controlled corporations[5]	4,420,000	0.38	Long position
	Beneficial owner[6]	1,800,000	0.15	Long position
Ms. Gu Yang	Interest in controlled corporations[7]	5,364,000	0.46	Long position
	Beneficial owner[8]	1,050,000	0.09	Long position

Notes:

(1) Mr. Huo Yunfei is the settlor and beneficiary of the Opera Rose Trust (a discretionary trust established by Mr. Huo on August 12, 2021), for which The Core Trust Company Limited acts as the trustee, which holds the entire interest in Dawning Sky Limited, which in turn holds 99.9% interest in Opera Rose Limited. As such, Mr. Huo is deemed to be interested in the Shares held by Opera Rose Limited under the SFO.

(2) These Shares represent Mr. Huo Yunfei's entitlement to receive up to 2,996,400 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the terms and conditions of these options.

(3) Mr. Lyu Yonghui is the sole shareholder of Mingze. Limited. As such, he is deemed to be interested in the Shares held by Mingze. Limited under the SFO.

(4) These Shares represent Mr. Lyu Yonghui's entitlement to receive up to 1,350,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the terms and conditions of these options.

(5) Mr. Zhang Liang is the sole shareholder of ANC HK LIMITED. As such, he is deemed to be interested in the Shares held by ANC HK LIMITED under the SFO.

(6) These Shares represent Mr. Zhang Liang's entitlement to receive up to 1,800,000 Shares pursuant to the exercise of options granted to him under the Pre-IPO Share Option Scheme, subject to the terms and conditions of these options.

(7) Ms. Gu Yang is the sole shareholder of ASHG HK LIMITED. As such, she is deemed to be interested in the Shares held by ASHG HK LIMITED under the SFO.

(8) These Shares represent Ms. Gu Yang's entitlement to receive up to 1,050,000 Shares pursuant to the exercise of options granted to her under the Pre-IPO Share Option Scheme, subject to the terms and conditions of these options.

(9) The percentage of shareholding is calculated based on the total number of 1,167,799,000 Shares in issue as of December 31, 2023.

Save as disclosed above, as of December 31, 2023, none of the Directors and chief executive of the Company had any interests and short positions of in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), 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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended December 31,2023 and up to the date of this annual report, none of the Directors or their associates had any interest in any business that competes or may compete, directly or indirectly, with the business of the Group.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT OT 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.

NON-COMPETITION ARRANGEMENTS

As of December 31, 2023 or at any time during the Reporting Period, there were no non-competition agreements or arrangements provided by any substantial shareholders of the Company.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group during the Reporting Period are set out in note 37 to the consolidated financial statements set out in this annual report. Save as disclosed in this annual report, none of these related party transactions constituted a connected transaction or continuing connected transaction as defined in the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules where applicable.

During the year ended December 31, 2023, the Group did not enter into any connected transactions or continuing connected transactions that are required to be disclosed in this annual report in accordance with the Listing Rules.

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

As of December 31, 2023, so far as the Directors are aware, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the Company[8] (%)	Long position/ short position/ interest in a lending pool
Opera Rose Limited[1]	Beneficial owner	214,749,000	18.39	Long position
Dawning Sky Limited[1]	Nominee for another person	214,749,000	18.39	Long position
Vermilion Bird Limited[2]	Beneficial owner	159,934,000	13.70	Long position
Glowing Fame Limited[2]	Nominee for another person	159,934,000	13.70	Long position
Dr. Huo Yunlong[2]	Founder of a discretionary trust	159,934,000	13.70	Long position
TCT (BVI) Limited	Interest in controlled corporations[1]	214,749,000	18.39	Long position
	Interest in controlled corporations[2]	159,934,000	13.70	Long position
The Core Trust Company Limited ("**Core Trust**")	Trustee[1]	214,749,000	18.39	Long position
	Trustee[2]	159,934,000	13.70	Long position
Shanghai Tongxiang Haoqian Enterprise Management Partnership (Limited Partnership) (上海同襄灝乾企業管理合夥企業(有限合夥)) ("**Tongxiang Haoqian**")[3]	Beneficial owner	100,142,000	8.58	Long position
Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司)[3]	Interest in controlled corporations	100,142,000	8.58	Long position
Shenzhen Futian Tongchuang Weiye Dajiankang Industry Investment Fund Partnership (Limited Partnership) (深圳福田同創偉業大健康產業投資基金合夥企業(有限合夥))[3]	Interest in controlled corporations	100,142,000	8.58	Long position

Name of Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the Company[8] (%)	Long position/ short position/ interest in a lending pool
Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理股份有限公司) ("**Cowin**")[3]	Interest in controlled corporations	129,606,000	11.10	Long position
Shenzhen Cowin Venture Capital Investments Co., Ltd. (深圳市同創偉業創業投資有限公司)[3]	Interest in controlled corporations	129,606,000	11.10	Long position
Ms. Huang Li (黃荔)[3]	Interest in controlled corporations	129,606,000	11.10	Long position
Guangzhou Ping An Consumer Equity Investment Partnership (Limited Partnership) (廣州市平安消費股權投資合夥企業(有限合夥)) ("**Ping An Investment**")[4]	Beneficial owner	72,000,000	6.17	Long position
Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) ("**Ping An Group**")[4]	Interest in controlled corporations	120,000,000	10.28	Long position
Ping An Capital Co., Ltd. (平安資本有限責任公司) ("**Ping An Capital**")[4]	Interest in controlled corporations	120,000,000	10.28	Long position
Shenzhen Pingan Yuanxin Investment Development Holdings Co., Ltd. (深圳市平安遠欣投資發展控股有限公司) ("**Ping An Yuanxin**")[4]	Interest in controlled corporations	120,000,000	10.28	Long position
Shenzhen Ping An Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司) ("**Ping An Financial Technology**")[4]	Interest in controlled corporations	120,000,000	10.28	Long position
Mr. Zhou Bin (周彬)[5]	Interest in controlled corporations	81,343,530	6.97	Long position
Hebei Dongto Investment Co., Ltd. (河北東拓投資有限公司) ("**Hebei Dongto**")[6]	Beneficial owner	59,801,000	5.12	Long position
Ms. Zhan Xi (詹曦)[6]	Interest in controlled corporations	59,801,000	5.12	Long position

Name of Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the Company[8] (%)	Long position/ short position/ interest in a lending pool
Mr. Liu Lirui (劉力睿)[6]	Interest in controlled corporations	59,801,000	5.12	Long position
Shanghai Jingmairun Enterprise Management Center (L.P.) (上海景邁潤企業管理中心(有限合夥)) ("**Shanghai Jingmairun**")[7]	Beneficial owner	58,927,000	5.05	Long position
Shenzhen Jinghui Equity Investment Management Partnership (Limited Partnership) (深圳景輝股權投資管理合夥企業(有限合夥)) ("**Shenzhen Jinghui Equity**")[7]	Interest in controlled corporations	58,927,000	5.05	Long position
Gongqingcheng Greenwoods Jingjia Investment Management Partnership (Limited Partnership) (共青城景林景嘉投資管理合夥企業(有限合夥)) ("**Greenwoods Jingjia**")[7]	Interest in controlled corporations	58,927,000	5.05	Long position
Gongqingcheng Jingchengyu Investment Management Partnership (Limited Partnership) (共青城景成域投資管理合夥企業(有限合夥)) ("**Jingchengyu Investment**")[7]	Interest in controlled corporations	58,927,000	5.05	Long position
Mr. Tang Hua (唐華)[7]	Interest in controlled corporations	58,927,000	5.05	Long position
Greenwoods Capital Management Co., Ltd. (景林資本管理有限公司) ("**Greenwoods Capital**")[7]	Interest in controlled corporations	58,927,000	5.05	Long position
Tibet Jingning Enterprise Management Co., Ltd. (西藏景寧企業管理有限責任公司) ("**Tibet Jingning**")[7]	Interest in controlled corporations	58,927,000	5.05	Long position
Tibet Jingjia Enterprise Management Co., Ltd. (西藏景嘉企業管理有限責任公司) ("**Tibet Jingjia**")[7]	Interest in controlled corporations	58,927,000	5.05	Long position

Name of Shareholder	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the Company[8] (%)	Long position/ short position/ interest in a lending pool
Shanghai Greenwoods Equity Investment Management Co., Ltd. (上海景林股權投資管理有限公司) ("**Shanghai Greenwoods Equity**")[7]	Interest in controlled corporations	58,927,000	5.05	Long position
Shanghai Jingwu Investment Center (Limited Partnership) (上海景武投資中心(有限合夥)) ("**Shanghai Jingwu Investment**")[7]	Interest in controlled corporations	58,927,000	5.05	Long position
Mr. Jiang Jinzhi (蔣錦志)[7]	Interest in controlled corporations	58,927,000	5.05	Long position
Shenzhen Greenwoods Jingying Equity Investment Fund Partnership (Limited Partnership) (深圳景林景盈股權投資基金合夥企業(有限合夥)) ("**Shenzhen Greenwoods**")[7]	Interest in controlled corporations	58,927,000	5.05	Long position

Notes:

(1) Opera Rose Limited is owned as to 99.9% by Dawning Sky Limited and 0.1% by Mr. Huo Yunfei (through Rainmed01 Limited), respectively. The sole shareholder of Dawning Sky Limited is TCT (BVI) Limited which in turn is wholly-owned by Core Trust, being the trustee of the Opera Rose Trust, a discretionary trust established by Mr. Huo as the settlor and beneficiary on August 12, 2021. As such, each of Opera Rose Limited, Dawning Sky Limited, TCT (BVI) Limited, Core Trust and Mr. Huo is deemed to be interested in the Shares held by Opera Rose Limited under the SFO.

(2) Vermilion Bird Limited is owned as to 99.9% by Glowing Fame Limited and 0.1% by Dr. Huo Yunlong (through Hyljrkcyn888 Limited), respectively. The sole shareholder of Glowing Fame Limited is TCT (BVI) Limited which in turn is wholly-owned by Core Trust, being the trustee of the Vermilion Bird Trust, a discretionary trust established by Dr. Huo Yunlong as the settlor and beneficiary on August 12, 2021. As such, each of Vermilion Bird Limited, Glowing Fame Limited, TCT (BVI) Limited, Core Trust and Dr. Huo Yunlong is deemed to be interested in the Shares held by Vermilion Bird Limited under the SFO.

(3) Tongxiang Haoqian is a limited partnership established in the PRC. Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司) is the general partner of Tongxiang Haoqian and is wholly-owned by Cowin, a company listed on National Equities Exchange and Quotations (832793.NEEQ). Shenzhen Cowin Jinxiu Asset Management Co., Ltd. (深圳同創錦繡資產管理有限公司) is the general partner of Xinyu Tongchuang Guosheng Technology Innovation Industry Investment Partnership (Limited Partnership) (新余市同創國盛科創產業投資合夥企業(有限合夥)) ("**Tongchuang Guosheng**") and is also wholly-owned by Cowin. As of December 31, 2023, Cowin was held as to approximately 35.01% by Shenzhen Cowin Venture Capital Investments Co., Ltd. (深圳市同創偉業創業投資有限公司), which was in turn held as to approximately 55% by Ms. Huang Li (黃荔).

As such, Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司) is deemed to be interested in the Shares held by Tongxiang Haoqian under the SFO, and each of Cowin Shenzhen Cowin Venture Capital Investments Co., Ltd. (深圳市同創偉業創業投資有限公司) and Ms. Huang Li (黃荔) is deemed to be interested in the 100,142,000 Shares held by Tongxiang Haoqian and the 29,464,000 Shares held by Tongchuang Guosheng under the SFO.

Shenzhen Futian Tongchuang Weiye Dajiankang Industry Investment Fund Partnership (Limited Partnership) (深圳福田同創偉業大健康產業投資基金合夥企業(有限合夥)) is the limited partner of Tongxiang Haoqian with approximately 96.3% partnership interest. As such, it is deemed to be interested in the Shares held by Tongxiang Haoqian.

(4) Ping An Group (02318.HK and 601318.SH) indirectly holds 100% interest in (i) Ping An Properties Investment Co., Ltd. (深圳市平安置業投資有限公司) ("**Ping An Properties**"), which is the general partner of Ping An Investment; and (ii) Ping An Capital, which is the general partner of Jiaxing Pinghui Lihai Equity Investment Partnership (Limited Partnership) (嘉興平匯利海股權投資合夥企業(有限合夥)) (formerly known as Shenzhen Haihui Quanli Investment Consulting Partnership (Limited Partnership) (深圳市海匯全利投資諮詢合夥企業(有限合夥)) ("**Pinghui Lihai**"). Ping An Capital is also the limited partner of Ping An Investment with approximately 99.0% partnership interest. It is wholly-owned by Ping An Yuanxin which in turn is a wholly-owned subsidiary of Ping An Financial Technology. Ping An Properties is also indirectly wholly-owned by Ping An Financial Technology, a wholly-owned subsidiary of Ping An Group. As such, each of Ping An Group, Ping An Financial Technology, Ping An Yuanxin and Ping An Capital is deemed to be interested in the 72,000,000 Shares held by Ping An Investment and the 48,000,000 Shares held by Pinghui Lihai under the SFO.

(5) Mr. Zhou Bin is (i) the sole shareholder of Light Wisdom HK LIMITED ("**Light Wisdom HK**") and (ii) the executive partner of Beijing Light Silver Capital Partnership (General Partnership) (北京輕舟互動投資管理合夥企業(普通合夥)) ("**Light Silver**"), which in turn is the general partner of Shanghai Xingzhourun Enterprise Management Partnership (Limited Partnership) (上海興舟潤企業管理合夥企業(有限合夥)) ("**Shanghai Xingzhourun**") and Beijing Qingzhou Internet Investment Center (Limited Partnership) (北京輕舟互聯投資中心(有限合夥)) ("**Qingzhou Internet**"). As such, Mr. Zhou Bin is deemed to be interested in the 49,046,000 Shares held by Light Wisdom HK, the 5,614,000 Shares held by Light Silver, the 8,611,000 Shares held by Shanghai Xingzhourun, and the 19,419,000 Shares held by Qingzhou Internet under the SFO.

(6) As of December 31, 2023, Hebei Dongto was held as to 52% and 48% by Ms. Zhan Xi (詹曦) and Mr. Liu Lirui (劉力睿), respectively. As such, each of Ms. Zhan Xi (詹曦) and Mr. Liu Lirui (劉力睿) is deemed to be interested in the Shares held by Hebei Dongto.

(7) Shanghai Jingmairun is a limited partnership established in the PRC. The general partner of Shanghai Jingmairun is Shenzhen Jinghui Equity, whose general partner is Shanghai Greenwoods Equity, which in turn is owned as to 90% by Greenwoods Capital. As of December 31, 2023, Greenwoods Capital was held as to 50% by Tibet Jingning and 40% by Shanghai Jingwu Investment, whose general partner is Tibet Jingning. As of December 31, 2023, Tibet Jingning was held as to approximately 84.5% by Mr. Jiang Jinzhi (蔣錦志). As such, each of Shenzhen Jinghui Equity, Shanghai Greenwoods Equity, Greenwoods Capital, Tibet Jingning, Shanghai Jingwu Investment and Mr. Jiang Jinzhi (蔣錦志) is deemed to be interested in the Shares held by Shanghai Jingmairun.

Shenzhen Greenwoods is the limited partner of Shanghai Jingmairun with approximately 99.99% partnership interest. As such, Shenzhen Greenwoods is deemed to be interested in the Shares held by Shanghai Jingmairun. The general partner of Shenzhen Greenwoods is Shenzhen Jinghui Equity.

Greenwoods Jingjia, being a limited partnership established in the PRC, is the limited partner of Shenzhen Jinghui Equity with 80% partnership interest. The general partner of Greenwoods Jingjia is Tibet Jingjia, which in turn is wholly-owned Greenwoods Capital. Jingchengyu Investment is a limited partner of Greenwoods Jingjia with approximately 38% partnership interest. Jingchengyu Investment is a limited partnership established in the PRC whose partnership interest was held as to 83.7% by Mr. Tang Hua (唐華). As such, each of Greenwoods Jingjia, Tibet Jingjia, Jingchengyu Investment and Mr. Tang Hua (唐華) is deemed to be interested in the Shares held by Shanghai Jingmairun.

(8) The percentage of shareholding is calculated based on the total number of 1,167,799,000 Shares in issue as of December 31, 2023.

Save as disclosed above, as of December 31, 2023, so far as the Directors are aware, no person (other than the Directors and chief executive of the Company) had any interests and short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

On December 10, 2021, the Company adopted the Pre-IPO Share Option Scheme to attract, retain and motivate employees of the Group. On December 10, 2021, options to subscribe for an aggregate of 707,628 Shares (35,381,400 Shares as adjusted after the capitalization issue as detailed in the Prospectus) (representing approximately 3.03% of the existing issued share capital of the Company) had been granted by the Group, with an exercise price of HK$3.90 per Share (as adjusted after the capitalization issue). No further options were granted under the Pre-IPO Share Option Scheme following such date, and no further options will be granted under the Pre-IPO Share Option Scheme following the Listing. Since the Pre-IPO Share Option Scheme does not involve the grant of any option by our Company to subscribe for the Shares after the Listing, it is not subject to the provisions of Chapter 17 of the Listing Rules.

1. Summary of Principal Terms

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme adopted by the Company on December 10, 2021.

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant options to eligible participants as incentives, attraction, motivation or rewards for their contribution or potential contribution to our Group.

(b) Who May Join

Participants under the Pre-IPO Share Option Scheme may include directors, employees, advisers and consultants of the Group who, in the sole opinion of the Board, have contributed or will contribute to the Group, and for the avoidance of doubt, includes any trusts serving for any of such persons.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted is 707,628 Shares (or 35,381,400 Shares as adjusted after the Capitalization Issue), which shall be adjusted in the event of any alternation in the capital structure of our Company.

(d) Duration

No option shall be offered after the Listing Date, although the provisions of the Pre-IPO Share Option Scheme will in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted under the Pre-IPO Share Option Scheme prior to the Listing Date or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme and their terms of grant.

(e) Administration

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board and the decision of the Board shall be final and binding on all parties. The Board shall have the sole and absolute right to (i) interpret and construe the provisions of the Pre-IPO Share Option Scheme, (ii) approve the persons who will be granted the options and the terms and conditions on which the options are granted, (iii) make such appropriate and equitable adjustments to the terms of the options granted as it deems necessary, (iv) appoint one or more independent third party professionals and contractors to assist in the administration of Pre-IPO Share Option Scheme and delegate such powers and/or functions relating to the administration of the Pre-IPO Share Option Scheme as the Board deems appropriate, and (v) make such other decisions or determinations as it shall deem appropriate in the administration of the Pre-IPO Share Option Scheme.

(f) Options

The Board and/or any person duly authorized by the Board shall be entitled to (but shall not be bound) approve the offer to grant an option to any eligible participant as the Board may in its absolute discretion select on such terms and conditions as it may think fit.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when a copy of the offer document has been duly signed by the grantee, together with a remittance or payment in cash to our Company of RMB1 or its HK$ equivalent by way of consideration for the grant, is received by our Company on or before the relevant acceptance date.

A grantee may subscribe for the Shares on the exercise of an option at the exercise price approved by the Board in its absolute discretion with reference to factors which may include business performance and value of our Company and individual performance of the relevant grantee, and in any case, shall not be less than the par value of the Shares.

An option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Such notice shall be accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given. Within thirty (30) days after receipt of the notice and the remittance, the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

An option is personal to the grantee and is not assignable and no grantee is permitted in any way to sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option (with the exception that the grantee may transfer the options to a trust in which he is a beneficiary thereof or the grantee may nominate a nominee in whose name the Shares issued pursuant to the Pre-IPO Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee without compensation.

In terms of rights on death or termination of employment:

(i) If the grantee ceases to be an eligible participant of the Pre-IPO Share Option Scheme as a result of death, ill-health, injury or disability, provided that the grantee's relationship with the Group had not been otherwise terminated by the occurrence of events which would have caused his option(s) to lapse (as defined in the Pre-IPO Share Option Scheme), the grantee or his personal representatives is entitled within twelve months from the date of cessation of to exercise his option in full (to the extent not already exercised);

(ii) If the grantee ceases to be an eligible participant of the Pre-IPO Share Option Scheme for any reason other than those referred to in paragraph (a) above or as a result of termination of his relationship with the Group referred to in paragraph (g)(iv) below, the grantee may exercise his option up to his entitlement at the date of cessation of being an eligible participant (to the extent not already exercised) within sixty (60) days following the date of such cessation.

(g) Lapse of Options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of, among others:

(i) the expiry of the period during which an option may be exercised, which is to be determined and notified by the Board to each grantee and shall not exceed a period of ten years from the date of grant;

(ii) the date on which the compromise or arrangement of the Company becomes effective;

(iii) the date of commencement of the winding up of the Company (as determined in accordance with the Companies Act (As Revised) of the Cayman Islands);

(iv) the date on which the Grantee ceases to be an eligible participant by termination of his relationship with the Group on any one or more of the grounds as set out in the Pre-IPO Share Option Scheme, such as breach of fiduciary duty, unfair competition with the Group, material breach of any agreement with the Group, violation of applicable labour or employment laws, any ground as determined by the Board that would warrant the termination of his employment at common law or pursuant to any applicable laws or under his service contract with the Group; or

(v) the date on which the Board shall exercise the Company's right to cancel the option at any time in accordance with the terms of the Pre-IPO Share Option Scheme.

(h) Capital Restructuring

In the event of any alteration in the capital structure of the Company (whether by way of capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company), such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(i) the maximum number of Shares subject to the Pre-IPO Share Option Scheme;

(ii) the number or nominal amount of Shares subject to any outstanding options; and/or

(iii) the exercise price,

as the auditors or the approved independent financial adviser shall, at the request of the Company or any grantee, certify in writing either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have substantially the same proportion of the equity capital of the Company as that to which he was entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (and shall not be materially greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable an Ordinary Share to be issued at less than its nominal value. The capacity of the auditors or the approved independent financial adviser, as the case may be, is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the grantees.

(i) Alternation of the Pre-IPO Share Option Scheme

The Board may, at any time, alter in any respect the terms and conditions of and the regulations for the administration and operation of the Pre-IPO Share Option Scheme, provided that such alteration does not adversely affect the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except (i) with the written consent of the grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or (ii) by special resolution passed at a meeting of the grantees.

2. Outstanding Share Options

Details of the outstanding share options granted under the Pre-IPO Share Option Scheme are set out below:

Name/category of grantee	Positions at the Group	Date of grant	Vesting Period	Number of Shares underlying the outstanding options as of January 1, 2023	Number of Shares underlying the options Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of Shares underlying the outstanding options as of December 31, 2023	Exercise price (HK$ per share)	Exercise period
Mr. Huo	Chairman of the Board, executive Director and chief executive officer	December 10, 2021	Please refer to the Note (1) below	2,996,400	—	—	—	—	2,996,400	HK$3.90	From December 10, 2021 to December 10, 2031
Mr. Lyu Yonghui	Executive Director and joint chief executive officer	December 10, 2021	Please refer to the Note (1) below	1,350,000	—	—	—	—	1,350,000	HK$3.90	From December 10, 2021 to December 10, 2031
Mr. Zhang Liang	Executive Director, chief financial officer and joint company secretary	December 10, 2021	Please refer to the Note (1) below	1,800,000	—	—	—	—	1,800,000	HK$3.90	From December 10, 2021 to December 10, 2031
Ms. Gu Yang	Executive Director and vice president	December 10, 2021	Please refer to the Note (1) below	1,050,000	—	—	—	—	1,050,000	HK$3.90	From December 10, 2021 to December 10, 2031
Ms. Cheng Nina(Note 2)	International marketing manager	December 10, 2021	Please refer to the Note (1) below	100,000	—	—	—	—	100,000	HK$3.90	From December 10, 2021 to December 10, 2031
Mr. Liu Guangzhi	Chief technology officer	December 10, 2021	Please refer to the Note (1) below	2,850,000	—	—	—	—	2,850,000	HK$3.90	From December 10, 2021 to December 10, 2031
Mr. Wu Xingyun	Vice president	December 10, 2021	Please refer to the Note (1) below	1,320,000	—	—	—	—	1,320,000	HK$3.90	From December 10, 2021 to December 10, 2031
Mr. Zhou Chang	Vice president	December 10, 2021	Please refer to the Note (1) below	900,000	—	—	—	—	900,000	HK$3.90	From December 10, 2021 to December 10, 2031
Mr. Liu Kangjian	Vice president and the secretary of the Board	December 10, 2021	Please refer to the Note (1) below	1,450,000	—	—	—	—	1,450,000	HK$3.90	From December 10, 2021 to December 10, 2031
Mr. Duan Ning	Sales director	December 10, 2021	Please refer to the Note (1) below	900,000	—	—	—	—	900,000	HK$3.90	From December 10, 2021 to December 10, 2031
91 other option holders which are our employees (other than Directors, chief executive, substantial shareholders of the Company or associates of the aforementioned persons)(Note 3)	Various positions at the Group	December 10, 2021	Please refer to the Note (1) below	19,310,000	—	—	4,661,500	—	14,648,500	HK$3.90	From December 10, 2021 to December 10, 2031

Notes:

(1) 30% of the share options granted under the Pre-IPO Share Option Scheme will vest on the date commencing from the expiry of the 12 months after the Listing. 30% of the share options granted under the Pre-IPO Share Option Scheme will vest on the date commencing from the expiry of the 24 months after the Listing. 40% of the share options granted under the Pre-IPO Share Option Scheme will vest on the date commencing from the expiry of the 36 months after the Listing.

(2) Ms. Cheng Nina is a sister-in-law of Dr. Huo Yunlong.

(3) 30 out of the 121 employees left the Group during the year ended December 31, 2023 and the shares options previously granted to them were cancelled accordingly.

During the Reporting Period, save as disclosed above, no share options were granted, exercised, canceled or lapsed.

Details of the fair value of the share options at the date of grant and the accounting standard and policy adopted are set out in note 28 to the consolidated financial statements.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

The Company did not have any controlling shareholders (as defined under the Listing Rules) as at December 31, 2023 and the date of this annual report.

CONCLUSIONS OF THE COMPANY'S INDEPENDENT AUDITOR

SHINEWING (HK) CPA Limited has been appointed as the auditor of the Company for the year ended December 31, 2023. SHINEWING (HK) CPA Limited has audited the accompanying financial statements which were prepared in accordance with the Hong Kong Financial Reporting Standards.

SHINEWING (HK) CPA Limited shall retire and, being eligible, offers itself for re-appointment at the forthcoming annual general meeting. A resolution on the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Company and the Group during the year ended December 31, 2023 are set out in note 14 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Company and the Group as of December 31, 2023 are set out in note 31 to the consolidated financial statements.

SHARE CAPITAL

Details of changes in the share capital of the Company for the year ended December 31, 2023 are set out in note 26 to the consolidated financial statements.

RESERVES

Details of changes in the reserves of the Company and the Group during the year ended December 31, 2023 are set out in the consolidated statement of changes in equity on page 78 of this annual report.

DISTRIBUTABLE RESERVE

As of December 31, 2023, the distributable reserve of the Company was approximately RMB805.2 million (2022: RMB780.9 million).

PUBLIC FLOAT

Based on public information available to the Company and to the best knowledge of the Directors, since the Reporting Period and up to the date of this annual report, at least 25% of the total issued Shares (i.e. the minimum public shareholding percentage stipulated by the Stock Exchange and the Listing Rules) is held by the public.

PURCHASE, REDEMPTION, OR SALE OF LISTED SECURITIES

During the Reporting Period, none of the Company or its subsidiaries purchased, disposed of or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION

During the Reporting Period and as of the date of this annual report, the Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the securities of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2023, the transaction amount with the Group's top five customers accounted for 43.8% of the Group's total revenue (2022: 49.4%), while the transaction amount with the Group's single largest customer accounted for 14.2% of the Group's total revenue (2022: 12.9%).

Major Suppliers

For the year ended December 31, 2023, the transaction amount with the Group's top five suppliers accounted for 69.6% of the Group's total purchases for the year ended December 31, 2023 (2022: 16.9%), while the transaction amount with the Group's single largest supplier accounted for 59.7% of the Group's total purchases (2022: 5.1%).

During the year ended December 31, 2023, none of the Directors, any of their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of the issued Shares) was interested in the top five customers or suppliers of the Group.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on it, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code for, among other things, the disclosure of information and corporate governance. The Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with any relevant laws and regulations that had a significant impact on it.

MATERIAL LEGAL PROCEEDINGS

During the year ended December 31, 2023, the Company was not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Company.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The remuneration of the employees of the Group consists of salaries, bonuses, share-based incentive plans, pension scheme contributions and other welfare payments. In accordance with applicable laws in China and other relevant jurisdictions, we have made contribution to social security insurance funds and housing funds for the employees of the Group.

The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group encourages employees to continue their education by subsidizing recognized development courses. The Group also aims to provide competitive and attractive compensation packages to retain its employees. Management reviews annually the compensation packages offered to the employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations, the Company has adopted the Pre-IPO Share Option Scheme, details of which are set out in the paragraph headed "Pre-IPO Share Option Scheme" in this section.

CHARITABLE DONATIONS

During the year ended December 31, 2023, the Group's charitable donations and other donations totalled RMB250,000.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the Reporting Period are set out in the section headed "Management Discussion and Analysis" in this annual report.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 50 to 67 in this annual report.

EQUITY-LINKED AGREEMENT

Save as disclosed in the paragraph headed "Pre-IPO Share Option Scheme" in this section, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended December 31, 2023.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, being Mr. Liu Shuen Kong, Mr. Li Ho Man and Mr. Chen Xuefeng. Mr. Liu Shuen Kong serves as the chairman of the Audit Committee and has the appropriate qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has reviewed the audited consolidated financial statements for the year ended December 31, 2023 with the senior management of the Company. The Audit Committee considers that the annual results are in compliance with the applicable accounting standards, laws and regulations, and that the Company has made appropriate disclosures in this regard. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with the senior management of the Company.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company for the year ended December 31, 2023 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. Having been approved by the Board upon the Audit Committee's recommendation, a resolution on the re-appointment of SHINEWING (HK) CPA Limited as the independent external auditor for 2024 will be put to the forthcoming annual general meeting for Shareholders' approval.

PricewaterhouseCoopers resigned as the auditor of the Company on November 13, 2023. The Company appointed SHINEWING (HK) CPA Limited as the new auditor of the Company at the extraordinary general meeting held on December 18, 2023 to fill the vacancy following the resignation of PricewaterhouseCoopers.

By order of the Board
Huo Yunfei
Chairman and Executive Director

Hong Kong, March 28, 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report of the Company for the year ended December 31, 2023.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix C1 to the Listing Rules.

For the year ended December 31, 2023, the Company complied with all code provisions of the CG Code except for the deviation as disclosed below.

Pursuant to code provision C.2.1 of part 2 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Huo Yunfei currently serves as the chairman of the Board and the chief executive officer of the Group ("**CEO**"). He is responsible for overall strategic planning and decision-making, execution, operation and management of the Company. Although this constitutes a deviation from code provision C.2.1 part 2 of of the CG Code, the Board considers that vesting the roles of both chairman of the Board and CEO in Mr. Huo Yunfei has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Therefore, the Board possesses an independent element in its composition.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's employees who, because of their office or employment, are likely to possess inside information in relation to the Group or the Company's securities. Specific enquiries have been made of all Directors and all Directors have confirmed that they have complied with the standards set out in the Model Code for the year ended December 31, 2023.

No incident of non-compliance of the Model Code by the employees was noted by the Company for the year ended December 31, 2023.

PURPOSE, VALUE, AND STRATEGY

"Targeted Medical Services for People's Health" is our mission. We are committed to becoming a global leading vascular interventional surgical robotics company and a worldwide respectable company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

RESPONSIBILITIES

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. 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 (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

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

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against the Directors, and will conduct an annual review on such insurance coverage.

COMPOSITION OF THE BOARD

As of the date of this annual report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Mr. Huo Yunfei *(Chairman and Chief Executive Officer)*
Mr. Lyu Yonghui *(Joint Chief Executive Officer)*
Mr. Zhang Liang *(Chief Financial Officer)*
Ms. Gu Yang *(Vice President)*

Non-executive Directors:

Mr. Wang Lin
Mr. Heng Lei

Independent non-executive Directors:

Mr. Liu Shuen Kong
Mr. Li Ho Man
Mr. Chen Xuefeng

The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this annual report and the relationships between the Directors (if any) are disclosed in the respective Director's biography.

Save for the relationships between the Directors set forth in the respective Director's biography in the section headed "Directors and Senior Management" of this annual report, the Directors do not have any financial, business, family or other material/relevant relationships with one another.

For the year ended December 31, 2023, the Board met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

For the year ended December 31, 2023, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

Mr. Chen Xuefeng was appointed as an independent non-executive Director during the Reporting Period and has obtained the legal advice as required by Rule 3.09D of the Listing Rules on August 15, 2023 and confirmed that he understood his responsibilities as a director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

With regard to the Corporate Governance Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments, as well as their identities and the times involved in the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service agreement with the Company for an initial term of three years commencing on June 18, 2022 and until terminated in accordance with the terms and conditions of the service agreement or by either party giving not less than three months' prior notice to the other.

Mr. Liu Shuen Kong and Mr. Li Ho Man have entered into an appointment letter with the Company effective from the Listing Date. The initial term of their appointment letters shall be three years from the date of the Prospectus (subject to re-election as required under the Articles of Association) and until terminated in accordance with the terms and conditions of the appointment letter or by either party giving not less than one month's prior notice in writing to the other.

Mr. Chen Xuefeng has entered into an appointment letter with the Company for a term commencing from August 15, 2023 ending on the next annual general meeting of the Company, and until terminated in accordance with the terms and conditions of the appointment letter or by either party giving not less than one month's prior notice in writing to the other.

At every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

MECHANISMS TO ENSURE INDEPENDENT VIEWS AND INPUT

The Company has received a 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 considers that all independent non-executive Directors are independent.

In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors' independence annually with regard to all relevant factors related to the independent non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the Independent non-executive Directors regularly without the presence of the Executive Directors.

All Directors are entitled to seek advice from the independent professional advisors at the Company's expenses.

During the Reporting Period, the Company has reviewed the implementation and effectiveness of these mechanisms and believes that they are effective and appropriate.

BOARD DIVERSITY AND GENDER DIVERSITY IN WORKFORCE

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") to enhance the effectiveness of the Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

The Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, finance and accounting, research and development, and investment. They obtained degrees in various majors including engineering, biology science, economics, law, accounting, etc. Furthermore, the Board has a relatively wide range of ages, ranging from 36 years old to 51 years old and consists of eight male members and one female member. The Board is of the view that the Board satisfies the Board Diversity Policy.

The Nomination Committee is responsible for reviewing the diversity of the Board, reviewing the Board Diversity Policy from time to time, developing and reviewing measurable objectives for implementing the Board Diversity Policy, and monitoring the progress in achieving these measurable objectives in order to ensure that the policy remains effective. The Company will (i) disclose the biographies of each Director; and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, the Group will take opportunities to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices. The Group also intends to promote gender diversity when recruiting staff at the mid to senior level so that the Company will have a pipeline of female senior management and potential successors to the Board. The Company believes that such merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of the Group and the Shareholders as a whole.

We had achieved at least one female Director and 41% of female employees of the Group and considers that the current gender diversity is satisfactory. We target to maintain at least one female Director and increase the ratio of female senior management for the coming financial year. The gender ratio in the workforce (including senior management) for the Reporting Period is 59.31% to 40.69%. The total gender diversity of the Group is balanced and the Group will continue to maintain gender diversity in workforce. Further details of gender ratios and initiatives taken are set out in the section "Environmental, Social and Governance Report 2023" of this annual report.

During the Reporting Period, the Board, through the Nomination Committee, has reviewed the implementation and effectiveness of the Board Diversity Policy and confirmed that the Board has the appropriate skill set and experience to implement the Company's strategies.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to code provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

Pursuant to code provision C.1.1 of the Corporate Governance Code, each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide the Directors with updates on the latest development and changes of the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The joint company secretaries of the Company update and provide the Directors with written training materials in relation to their roles, functions and duties from time to time.

According to the information provided by the Directors, the trainings received by the Directors during the year ended December 31, 2023 are summarized as follows:

Name of Director	**Nature of continuing professional development courses**
Executive Directors	
Mr. Huo Yunfei	A, B, C and D
Mr. Lyu Yonghui	A, B, C and D
Mr. Zhang Liang	A, B, C and D
Ms. Gu Yang	A, B, C and D
Non-executive Directors	
Mr. Wang Lin	A, B, C and D
Mr. Heng Lei	A, B, C and D
Independent Non-executive Directors	
Mr. Liu Shuen Kong	A, B, C and D
Mr. Li Ho Man	A, B, C and D
Mr. Chen Xuefeng (Appointed on August 15, 2023)	A, B, C and D
Mr. Lau Tsz Ho Tony (Resigned on August 15, 2023)	A, B, C and D

Notes:

A: attending seminars and/or conferences and/or forums and/or briefings

B: speaking at seminars and/or conferences and/or forums

C: attending training provided by lawyers and training relating to the business of the Company

D: reading materials relating to different types of topics, including corporate governance, directors' duties, the Listing Rules and other relevant laws

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of Part 2 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual.

Mr. Huo Yunfei currently serves as the chairman of the Board and the chief executive officer of the Group ("**CEO**"). He is responsible for overall strategic planning and decision-making, execution, operation and management of the Company. Although this constitutes a deviation from code provision C.2.1 of Part 2 of the CG Code, the Board considers that vesting the roles of both chairman of the Board and CEO in Mr. Huo Yunfei has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises two non-executive Directors, three independent non-executive Directors and four executive Directors. Therefore, the Board possesses an independent element in its composition.

BOARD MEETINGS

The Company will adopt the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days will be 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 meetings and Board Committees' meetings, reasonable notice is generally given by the Company. The meeting notice will include the agenda and accompanying Board papers and will be despatched at least three days before the Board meetings or Board Committees' meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. If 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 prior to the meeting. Minutes of meetings shall be kept by the joint company secretaries with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committees' meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft and final minutes of each Board meeting and Board Committee's meeting are sent to the Directors for comments and records, respectively within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

For the year ended December 31, 2023, the attendance of each Director at Board meetings, Board Committee meetings and general meetings is set out in the table below:

	For the year ended December 31, 2023 Number of attendance at meetings/number of meetings eligible for attendance				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General meetings**
Executive Directors					
Mr. Huo Yunfei	10/10	N/A	N/A	2/2	2/2
Mr. Lyu Yonghui	10/10	N/A	N/A	N/A	2/2
Mr. Zhang Liang	10/10	N/A	N/A	N/A	2/2
Ms. Gu Yang	10/10	N/A	2/2	N/A	2/2
Non-executive Directors					
Mr. Wang Lin	10/10	N/A	N/A	N/A	2/2
Mr. Heng Lei	10/10	N/A	N/A	N/A	2/2
Independent non-executive Directors					
Mr. Liu Shuen Kong	10/10	5/5	2/2	2/2	2/2
Mr. Li Ho Man	10/10	5/5	2/2	2/2	2/2
Mr. Chen Xuefeng (Took office on August 15, 2023)	7/7	4/4	N/A	N/A	1/1
Mr. Lau Tsz Ho Tony (Resigned on August 15, 2023)	3/3	1/1	N/A	N/A	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries of the Directors, all Directors confirmed that they have complied with the standards set out in the Model Code for the year ended December 31, 2023.

DELEGATION BY THE BOARD

The Board reserves the right to make decisions on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial data, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTIONS

The Board confirmed that corporate governance is a collective responsibility of the Directors. For the year ended December 31, 2023, the corporate governance functions that the Board has performed through the Audit Committee include:

(a) developing and reviewing the Company's corporate governance policies and practices and make recommendations to the Board;

(b) reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Company;

(c) reviewing and monitoring the Company's policies and practices for compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual, if any, applicable to employees and the Directors of the Company; and

(d) reviewing the Company's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report of the Company.

BOARD COMMITTEES

Audit Committee

The Company has established the Audit Committee (effective from the Listing Date) with written terms of reference in accordance with Rule 3.21 of the Listing Rules and paragraph D.3 of Part 2 of the Corporate Governance Code. The written terms of reference of the Audit Committee are available on the respective websites of the Stock Exchange and the Company. As of the date of this annual report, the Audit Committee comprises three members, being Mr. Liu Shuen Kong, Mr. Li Ho Man and Mr. Chen Xuefeng, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Liu Shuen Kong, who has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The main duties of the Audit Committee are as follows:

1. primarily responsible for advising the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and dealing with the resignation or removal of the auditor;

2. reviewing financial statements and reports, and considering any significant or unusual matters raised by the qualified accountants, compliance officer or auditor of the Company before submitting them to the Board; and

3. reviewing the Company's financial control, risk management and internal control systems, and related procedures, including the adequacy of the Company's resources, staff qualifications and experience in accounting and financial reporting functions, as well as the adequacy of training courses and related budgets received by employees.

For the year ended December 31, 2023, the Audit Committee held 5 Audit Committee's meetings to discuss and consider, among others, the following:

- reviewing the annual results for the year ended December 31, 2022 of the Company and its subsidiaries, as well as the audit report prepared by the auditor relating to accounting issues and major issues found in the course of audit;

- reviewing the interim results of the Company and its subsidiaries for the six months ended June 30, 2023;

- reviewing the financial reporting system, compliance procedures, internal controls (including the adequacy of resources, qualifications, training programs and budgets of the Company's accounting and financial reporting department employees), risk management systems and procedures, re-appointment of external auditor, and the effectiveness of the internal audit function. The Board has not deviated from any recommendations made by the Audit Committee regarding the selection, appointment, retirement or removal of the external auditor; and

- reviewing the resignation of auditors and recommending the appointment of new auditor.

Nomination Committee

The Company has established the Nomination Committee (effective from the Listing Date) with written terms of reference in accordance with Rule 3.27A of the Listing Rules and paragraph B.3 of Part 2 of the Corporate Governance Code. The written terms of reference of the Nomination Committee are available on the respective websites of the Stock Exchange and the Company. As of the date of this annual report, the Nomination Committee comprises three members, including an executive Director, Mr. Huo Yunfei (chairman) and two independent non-executive Directors, being Mr. Liu Shuen Kong and Mr. Li Ho Man.

The main duties of the Nomination Committee of the Company are as follows:

1. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive;

3. identifying individuals who are suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

4. assessing the independence of independent non-executive Directors;

5. reviewing annually the Board Diversity Policy that the Board may adopt from time to time and any measurable targets for implementing such policies, and reviewing progress towards those targets; and

6. before the Board makes an appointment, evaluating the balance of skills, knowledge and experience of the Board, and preparing a description of the responsibilities and competency requirements of a specific appointment based on the evaluation results.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

For the year ended December 31, 2023, the Company held 2 Nomination Committee's meetings to discuss and consider, among others, the following:

- reviewing the structure, size and composition of the Board;

- confirming the independence of independent non-executive Directors;

- considering the qualification of the retiring Directors standing for election at the annual general meeting; and

- recommending the appointment of independent non-executive Directors and the new composition of the Audit Committee.

Remuneration Committee

The Company has established the Remuneration Committee (effective from the Listing Date) with written terms of reference in accordance with Rule 3.25 of the Listing Rules and paragraph E.1 of Part 2 of the Corporate Governance Code. The written terms of reference of the Remuneration Committee are available on the respective websites of the Stock Exchange and the Company. As of the date of this annual report, the Remuneration Committee comprises three members, including two independent non-executive Directors, Mr. Li Ho Man (chairman) and Mr. Liu Shuen Kong, and an executive Director, Ms. Gu Yang.

The main duties of the Remuneration Committee are as follows:

1. making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors' and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. being responsible for either: (i) determining with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or (ii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. making recommendations to the Board on the remuneration of non-executive Directors;

5. considering salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

6. reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

7. reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;

8. ensuring that no Director or any of his/her associates (within the meaning of the Listing Rules) is involved in deciding his/her own remuneration;

9. reviewing and/or approving matters relating to share schemes as described in Chapter 17 of the Listing Rules;

10. reviewing the Group's policy on expense reimbursements for the Directors and senior management; and

11. advising shareholders of the Company on how to vote in respect of any service contracts of Directors that require shareholders' approval in accordance with the Listing Rules, and as to whether the terms are fair and reasonable, and whether such contracts are in the interests of the Company and its shareholders as a whole.

For the year ended December 31, 2023, the Company held 2 Remuneration Committee's meetings to discuss and consider, among others, the following:

- reviewing and make recommendations to the Board on the remuneration policy;
- reviewing and make recommendations to the Board on the remuneration packages of the Directors and senior management;
- reviewing Pre-IPO Share Option Scheme and its implementation; and
- reviewing the remuneration packages of the new independent non-executive Directors.

Details of the remuneration payable to each Director for the year ended December 31, 2023 are set out in note 8 to the consolidated financial statements.

For the year ended December 31, 2023, the remuneration of members of senior management falls within the following bands:

Remuneration band (HKD)	Number of individuals
10,000,001–20,000,000	0
1,000,000–10,000,000	7
Total	7

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company has provided all members of the Board with updates on the Company's performance and prospects from time to time.

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

The statement of the auditor about their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report in this annual report.

DIVIDEND POLICY

The Company has never declared or paid regular cash dividends on its ordinary shares. The Company currently expects to retain all future earnings for use in the operation and expansion of the business and does not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act (As Revised) of the Cayman Islands.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board understands that the Board shall be responsible for maintaining adequate internal control systems to safeguard the Shareholders' investment and the Company's assets, and reviewing the effectiveness of the systems annually. The Board has reviewed its risk management and internal control systems for the Reporting Period, and considers such systems effective and adequate.

The Group's qualified management personnel play an important role in monitoring the internal governance of the Company. The primary duties of the internal qualified management personnel are to regulate and review the Company's financial position and internal control matters, and to conduct regular and comprehensive review on all branches and subsidiaries of the Company. We also engaged an internal control consultant to perform certain procedures in connection with the assessment of our internal controls in preparation for the listing. Upon completion of such procedures, the internal control consultant provided us with a number of assessment results and the relevant recommendations, which we have adopted in full. Currently we have a series of internal control policies, procedures and programs designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations, including but not limited to the following:

- The Board receives regular updates from the management team and reviews the Group's business plan, financial results, and investment strategies to ensure that business risks are identified and managed;

- The management team supervises the Group's business performance on an on-going basis via regular meetings with the respective departments and project teams to identify potential risks and develop strategies to address such risks;

- 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. The Company also works with external legal, accounting, tax, and other professional consultants in various jurisdictions to ensure that it is in compliance with relevant laws and regulation;

- We have put in place an internal audit charter that clearly states the objectives, organization, functions, responsibilities and work scope of our internal audit functions. We have arranged qualified management personnel to be responsible for internal auditing and conducting independent review of operational activities, and to report to the senior management; and

- Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behavior. We also put in place anti-money laundering policies and a working group that is responsible for monitoring and supervising the implementation of the policies as well as the code of conduct.

The Board and the Audit Committee listen to the reports made by the management with regard to risk management and internal control on an annual basis, and jointly review the effectiveness of the relevant systems and whether there are any monitoring failures or any significant weaknesses in procedures. If any material defects in internal control are found, the management and the Board must respond proactively and resolve the issues as appropriately as possible, while reviewing existing systems and procedures to identify improvements and take corrective action.

The risk management and internal control systems seek to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, though not absolute, assurance that adequate governance and controls are in place to address business risks or financial loss.

The Company understands its obligations under the SFO and the Listing Rules, and has set up procedures and internal control measures for processing and disclosing inside information. It will make public disclosure of inside information as soon as reasonably practicable and strictly comply with the Guidelines on Disclosure of Inside Information issued by the Hong Kong Securities and Futures Commission when dealing with matters involving inside information, and strictly prohibit the unauthorized use of confidential or inside information.

The Board has reviewed the risk management and internal control systems of the Group for the year ended December 31, 2023, covering financial, operational, compliance procedural and risk management functions, and considers them to be efficient and adequate. Based on its review, the Board also believes that the Company's accounting, internal audit, financial reporting functions and environmental, social and governance (ESG) performance and reporting have adequate resources, personnel qualifications and experience, training programs and budgets.

ANTI-CORRUPTION

Acting ethically is critical to running a sustainable business. We strictly comply with the Criminal Law of the PRC, the Interim Provisions on the Prohibition of Commercial Bribery, and other applicable anti-corruption and bribery laws and regulations. We have elaborated our expectations for ethical behavior through internal policies, including our anti-fraud policy, which applies to employees at all levels. We conduct multiple anti-fraud training sessions for all employees at all levels, including new employees and senior management, to ensure that everyone understands the policy and is responsible for complying with it.

We have developed a robust management and oversight structure for ethical business conduct. The Board is responsible for supervising and directing the anti-fraud office in establishing an ethical culture throughout the Group. We have established an internal control system to prevent fraud. Management is responsible for maintaining the internal control system, establishing reporting lines, implementing controls and taking corrective action to reduce the risk of fraud in the Group. Every employee must comply with national laws and regulations as well as internal policies. Employees are encouraged to report suspected misconduct through the appropriate channels.

We also attach importance to the ethical risk management of our suppliers. To ensure the integrity of our procurement, we sign the Anti-Commercial Bribery Agreement with our suppliers. If employees and external stakeholders have concerns about potential violations, we encourage them to speak up through the following channels:

Telephone:	(86) 0512-62622215-875; (86) 0512-62622215-805 (general manager office)
Email:	complaint@rainmed.com
Mailing address:	Building 31, Northeast District, Nanopolis Suzhou, No. 99, Jinji Lake Avenue, Suzhou Industrial Park, PRC, 215000
Complaint mailbox:	A complaint box is located at the reception desk on the first floor of the Company

If, after investigation, the anti-fraud office confirms violations, we report them to the Board. Corrective action will be taken, including verbal or written warnings or, in serious cases, termination. Any discrimination or retaliation against a whistleblower will not be tolerated, and the whistleblower will be protected if he/she assists in the investigation.

We will take corrective measures to improve the internal control of the affected business units. Employees who are found to have committed fraud will be disciplined in accordance with our internal regulations, and those who have violated the law will be referred to the judicial authorities for further action. During the Reporting Period, we were not involved in any violations related to corruption, bribery, extortion, fraud, or money laundering.

AUDITOR'S REMUNERATION

The approximate remuneration for audit and non-audit services provided for the Company by the auditors (the former external auditor PricewaterhouseCoopers and the current external auditor SHINEWING (HK) CPA Limited) during the year ended December 31, 2023 is set out below:

Type of services	**Fees paid/payable to the current external audior RMB'000**	**Fees paid/payable to the former external auditor RMB'000**
Audit services	1,069	0
Non-audit services		
— Transaction services and other advisory services	0	730
Total	**1,069**	**730**

Note: The total auditor's remuneration as disclosed in note 6 to the consolidated financial statements is RMB2,026,000, including total audit and non-audit services provided by other auditors amounting to RMB227,000.

JOINT COMPANY SECRETARIES

Mr. Zhang Liang ("**Mr. Zhang**"), our executive Director and chief financial officer, is a joint company secretary of the Company and is responsible for advising the Board on corporate governance matters and ensuring compliance with the Board's policies and procedures and applicable laws, rules and regulations.

In order to maintain good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. Chu Cheuk Ting ("**Ms. Chu**"), a manager of TMF Hong Kong Limited (a company secretarial service provider), as another joint company secretary of the Company to assist Mr. Zhang in performing his duties as company secretary of the Company. Ms. Chu's primary contact person in the Company is Mr. Zhang.

During the year ended December 31, 2023, Mr. Zhang and Ms. Chu completed not less than 15 hours of relevant professional trainings in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with Shareholders is essential to improving investor relations and understanding of the Group's business, performance and strategies. The Company also believes that timely and non-selective disclosure of information about the Company is important for Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides an opportunity for Shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen of the Board Committees will attend the annual general meeting to answer Shareholders' questions. The auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the auditor's report, accounting policies and auditor's independence.

SHAREHOLDERS' COMMUNICATION POLICY

In order to promote effective communication, the Company has adopted a shareholders' communication policy that aims at establishing a two-way relationship and communications between the Company and the Shareholders and maintains a website (www.rainmed.com), where up-to-date information on the Company's business operations, developments, financial data, corporate governance practices and other information is available for public access.

During the Reporting Period, the Board has reviewed the effectiveness of the Company's shareholders' communication policy. The Company believes that the Company's shareholder communication policy has facilitated adequate communications with Shareholders and considers the policy to be effective and appropriate.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Pursuant to the Articles of Association, Shareholders may put forward proposals for consideration at general meetings of the Company. Any one or more Shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, to require an extraordinary general meeting to be convened by the Company for the transaction of any business specified in such requisition; and such meeting shall be held within 21 days after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting to be held within a further 21 days, the requisitionist(s) himself/herself/themselves or any of them representing more than one-half of the total voting rights of all of them may do so in the same manner, provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such general meeting shall be reimbursed to the requisitionist(s) by the Company.

With regard to proposing a person for election as a Director, the procedures are available on the website of the Company.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board may send their enquiries to the office of the Board of the Company at its headquarters and/or through email at IR@rainmed.com.

CHANGES TO CONSTITUTIONAL DOCUMENTS

The Company has adopted its third amended and restated memorandum and articles of association on June 18, 2022, with effect from the Listing Date. During the year ended December 31, 2023, there has been no changes in the above memorandum and articles of association.

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

To the Shareholders of Rainmed Medical Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Rainmed Medical Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 74 to 151, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Refer to note 5 to the consolidated financial statements and the accounting policies on pages 99 and 100.

The key audit matter	How the matter was addressed in our audit
Revenue recognition The Group is primarily engaged in research and development, manufacturing and commercialisation of medical instrument related to coronary angiography-derived fractional flow reserve system and coronary angiography-derived index of microvascular resistance system. During the year ended 31 December 2023, the Group has recognised revenue from sales of products and installation and training services of Renminbi ("RMB") 73,219,000. We identified the recognition of revenue as a key audit matter because the revenue is one of the key performance indicators of the Group and the Group's large volume of revenue transactions are generated from a number of customers. Therefore, there is inherent risk of material misstatement in revenue recognition.	• We have obtained an understanding of and assessed the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • We have inspected the terms of sales contracts with customers, on a sample basis, and evaluated the conditions of goods acceptance as to whether control over the goods has been passed and performance obligation is satisfied when the Group recognises the revenue, and assessed the Group's timing and value of recognition of revenue with reference to the requirements of the prevailing accounting standards; • We have inspected goods delivery notes and logistics records, on a sample basis, to assess whether revenue transactions recorded just before and after the financial year end date had been recognised in the appropriate financial period on the basis of the terms of sale as set out in the sales contracts; • We have compared revenue transactions, on a sample basis, with invoices, goods delivery notes, installation confirmation notes and other relevant underlying documentation as applicable; • We have performed analytical procedures by comparing the sales, cost of sales and services rendered and gross profit ratio of the group entities to identify any significant fluctuation; and • We have circulated direct confirmation on sales to major customers.

Key Audit Matters (Continued)

Refer to note 16 to the consolidated financial statements and the accounting policies on pages 86 and 87.

The key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill As at 31 December 2023, the Group had goodwill of RMB12,591,000 primarily in relation to the Group's acquisition of Tianjin Yuehekang Biotechnology Co., Ltd (the "Acquiree"). Goodwill is tested for impairment annually, or when there are events or changes in circumstances indicate that it might be impaired. For the purpose of impairment assessment, goodwill was allocated to each group of cash-generating units of the Acquiree. Management assessed impairment of goodwill with the assistance of an independent external valuer (the "External Valuer") and determined the recoverable amounts based on a value-in-use ("VIU") calculation using cash flow projections based on financial budgets approved by management. The key assumptions considered primarily include (i) compound annual growth rate of revenue, (ii) earnings before interest, tax, depreciation and amortisation ("EBITDA") margin, (iii) average trade receivables turnover days, (iv) long-term growth rate, and (v) pre-tax discount rate. We focused on auditing the impairment of goodwill because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the complexity of the impairment models and subjectivity of significant assumptions used.	• We have understood, evaluated and tested the internal control over the impairment assessment of goodwill and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • We have evaluated the competency, capabilities and objectivity of the external valuer; • We have evaluated the appropriateness of the methodology and the reasonableness of key assumptions adopted with the involvement of our internal valuation experts; • We have challenged and assessed the reasonableness of the key assumptions adopted by management as below: (i) evaluated the historical estimation accuracy of the cash flow forecast by, for example, comparing the forecast used in the prior year to the actual performance of the business in the current year; (ii) evaluated the reasonableness of the key assumptions used in the cash flow forecast, including compound annual growth rate of revenue, EBITDA margin and average trade receivables turnover days during the forecast period, compared them with historical financial data and approved budgets; (iii) for the long-term growth rate, we assessed it with reference to the long-term expected inflation rate based on our independent research; (iv) assessed the pre-tax discount rate with reference to comparable listed companies based on our industry knowledge and independent research done by us; • We have evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of the reasonable changes in assumptions on the recoverable amount; and • We have assessed the adequacy of the disclosures related to impairment assessment of goodwill.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2023.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include 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 Directors of the Company and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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.

Audit Committee are responsible 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, solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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 of the Company.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matters communicated with 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 Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

	Notes	Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Revenue	5	**73,219**	83,604
Cost of sales	6	**(24,666)**	(13,780)
Gross profit		**48,553**	69,824
Research and development expenses	6	**(41,328)**	(44,172)
Selling expenses	6	**(70,869)**	(66,750)
General and administrative expenses	6	**(74,696)**	(109,317)
Net impairment losses of impairment on financial assets	3.1	**(96)**	(69)
Other income	9	**5,585**	5,332
Other gains — net	10	**4,667**	1,898
Operating loss		**(128,184)**	(143,254)
Finance income		**12,405**	3,495
Finance costs		**(1,309)**	(760)
Finance income — net	11	**11,096**	2,735
Fair value loss of financial liabilities	30	**—**	(1,210,894)
Loss before income tax		**(117,088)**	(1,351,413)
Income tax credit	12	**22**	5,450
Loss for the year		**(117,066)**	(1,345,963)
Loss for the year attributable to:			
Shareholders of the Company		**(115,830)**	(1,345,963)
Non-controlling interests		**(1,236)**	—
		(117,066)	(1,345,963)
Losses per share for the year and attributable to the shareholders of the Company			
— Basic and diluted loss per share (RMB)	13	**(0.10)**	(1.50)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

	Note	Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Loss for the year		**(117,066)**	(1,345,963)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Exchange differences arising from translation of the Company		**5,783**	(45,778)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of subsidiaries of the Company		**(1,016)**	(2,471)
Other comprehensive income/(expense) for the year, net of tax	27	**4,767**	(48,249)
Total comprehensive expense for the year		**(112,299)**	(1,394,212)
Total comprehensive expense attributable to:			
Shareholders of the Company		**(111,063)**	(1,394,212)
Non-controlling interests		**(1,236)**	—
		(112,299)	(1,394,212)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

	Notes	As at 31 December 2023 RMB'000	 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**109,117**	29,728
Intangible assets	15	**41,551**	13,101
Goodwill	16	**12,591**	—
Right-of-use assets	17	**8,534**	9,014
Deferred income tax assets	18	**24,630**	24,619
Other receivables	21	**2,453**	2,936
Prepayments	22	**5,217**	7,499
		204,093	86,897
Current assets			
Inventories	19	**9,786**	7,606
Bills receivables	20	**—**	3,531
Trade and other receivables	21	**10,350**	6,534
Prepayments	22	**13,797**	6,803
Financial assets at fair value through profit or loss ("FVTPL")	23	**135,647**	132,645
Bank deposits with the maturity over three months	24	**65,550**	355,196
Cash and cash equivalents	24	**134,085**	91,118
		369,215	603,433
Total assets		**573,308**	690,330
EQUITY			
Share capital and premium	26	**2,786,929**	2,786,929
Other reserves	27	**63,507**	51,264
Accumulated losses		**(2,335,387)**	(2,219,557)
Equity attributable to the shareholders of the Company		**515,049**	618,636
Non-controlling interests	39	**4,963**	—
Total equity		**520,012**	618,636

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	31	**11,678**	—
Deferred income tax liabilities	18	**269**	—
Lease liabilities	32	**367**	3,575
		12,314	3,575
Current liabilities			
Borrowings	31	**3,893**	18,000
Trade and other payables	33	**29,029**	39,229
Contract liabilities	5	**3,984**	3,487
Current income tax liabilities		**13**	—
Lease liabilities	32	**4,063**	7,403
		40,982	68,119
Total liabilities		**53,296**	71,694
Total equity and liabilities		**573,308**	690,330
Net current assets		**328,233**	535,314

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements and the accompanying notes on page 74 to 151 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf.

Huo Yunfei
Chief Executive Officer

Zhang Liang
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

		Attributable to shareholders of the Company						
	Notes	Share capital and premium	Convertible preferred shares	Other reserves	Accumulated losses	Subtotal	Non-controlling interests	Total
		RMB'000 (Note 26)	RMB'000 (Note 30)	RMB'000 (Note 27)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023		**2,786,929**	**–**	**51,264**	**(2,219,557)**	**618,636**	**–**	**618,636**
Loss for the year		–	–	–	(115,830)	(115,830)	(1,236)	(117,066)
Other comprehensive income	27	–	–	4,767	–	4,767	–	4,767
Total comprehensive expense		**–**	**–**	**4,767**	**(115,830)**	**(111,063)**	**(1,236)**	**(112,299)**
Transactions with shareholders and investors								
Acquisition of a subsidiary	35	–	–	–	–	–	6,199	6,199
Share-based compensation expenses	28(b)	–	–	7,476	–	7,476	–	7,476
Total transactions with shareholders and investors		**–**	**–**	**7,476**	**–**	**7,476**	**6,199**	**13,675**
Balance at 31 December 2023		**2,786,929**	**–**	**63,507**	**(2,335,387)**	**515,049**	**4,963**	**520,012**

	Notes	Attributable to shareholders of the Company						
		Share capital and premium	Convertible preferred shares	Other reserves	Accumulated losses	Subtotal	Non-controlling interests	Total
		RMB'000 (Note 26)	RMB'000 (Note 30)	RMB'000 (Note 27)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022		1	13,000	86,109	(873,594)	(774,484)	—	(774,484)
Loss for the year		—	—	—	(1,345,963)	(1,345,963)	—	(1,345,963)
Other comprehensive expense	27	—	—	(48,249)	—	(48,249)	—	(48,249)
Total comprehensive expense		—	—	(48,249)	(1,345,963)	(1,394,212)	—	(1,394,212)
Transactions with shareholders and investors								
Shares issued upon global offering and over-allotment	26	109,242	—	—	—	109,242	—	109,242
Share-based compensation expenses	28	—	—	13,404	—	13,404	—	13,404
Conversion of preferred shares to ordinary shares upon global offering	30	2,677,686	(13,000)	—	—	2,664,686	—	2,664,686
Total transactions with shareholders and investors		2,786,928	(13,000)	13,404	—	2,787,332	—	2,787,332
Balance at 31 December 2022		2,786,929	—	51,264	(2,219,557)	618,636	—	618,636

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

	Notes	Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Cash flows from operating activities			
Loss for the year		**(117,066)**	(1,345,963)
Adjustments for:			
— Income tax credit		**(22)**	(5,450)
— Depreciation of property, plant and equipment		**12,275**	10,801
— Amortisation of intangible assets		**4,281**	276
— Depreciation of right-of-use assets		**5,681**	5,585
— Net impairment losses on financial assets		**96**	69
— Interest expenses on borrowings and lease liabilities		**1,309**	760
— Interest income		**(12,405)**	(3,495)
— Fair value loss of financial liabilities at FVTPL		**—**	1,210,894
— Fair value gain on financial assets at FVTPL		**(1,059)**	(1)
— Losses on disposal of property, plant and equipment		**11**	15
— Gains on modification of lease contract		**—**	(111)
— Share-based compensation		**7,476**	13,404
Operating cash flows before movements in working capital		**(99,423)**	(113,216)
(Increase)/decrease in inventories		**(740)**	2,302
Increase in trade and other receivables		**(5,406)**	(2,071)
Decrease/(increase) in bills receivables		**3,531**	(3,531)
Increase in prepayments		**(2,488)**	(2,205)
(Decrease)/increase in trade and other payables		**(22,936)**	9,424
Increase/(decrease) in contract liabilities		**237**	(3,243)
		(127,225)	(112,540)
PRC enterprise income tax paid		**(2)**	—
Interest received		**2,938**	1,321
Net cash used in operating activities		**(124,289)**	(111,219)

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(84,681)**	(17,110)
Purchase of intangible assets		**(26,304)**	(12,711)
Loans to a related party		**—**	(2,000)
Loans to a third party		**—**	(4,000)
Interest received from bank		**7,661**	2,174
Purchase of financial assets at FVTPL		**(130,005)**	(130,437)
Purchase of short-term bank deposits		**(187,871)**	(355,196)
Acquisition of a subsidiary	35	**(13,887)**	—
Repayment of loans from a related party		**2,000**	—
Repayment of loans from a third party		**4,000**	—
Proceeds from disposal of short-term bank deposits		**479,323**	—
Proceeds from disposal of financial assets at FVTPL		**129,985**	3,379
Proceeds from disposal of property and equipment	34(a)	**73**	157
Net cash generated from/(used in) investing activities		**180,294**	(515,744)
Cash flows from financing activities			
Proceeds from issuance of global offering and allotment		**—**	126,990
Proceeds from bank and other borrowings	34(c)	**30,571**	18,000
Payments for listing expenses		**—**	(17,520)
Repayments of bank and other borrowings	34(c)	**(33,250)**	—
Interests paid	34(c)	**(939)**	(135)
Payments of lease liabilities	34(c)	**(12,264)**	(6,602)
Net cash (used in)/generated from financing activities		**(15,882)**	120,733
Net increase/(decrease) in cash and cash equivalents		**40,123**	(506,230)
Cash and cash equivalents at beginning of the year		**91,118**	559,140
Exchange differences on cash and cash equivalents		**2,844**	38,208
Cash and cash equivalents at end of the year	24	**134,085**	91,118

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2023

(All amounts expressed in RMB unless otherwise stated)

1 General information and basis of presentation

Rainmed Medical Limited (the "Company") was incorporated in the Cayman Islands on 9 April 2021 as a company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The address of its registered office is Campbells Corporate Services Limited, Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. The address of its principal place of business is Room 19–108, 19/F, Cityplaza Three, 14 Taikoo Wan Road, Taikoo, Hong Kong.

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

The Company's shares have been listed on the main board of the Stock Exchange of Hong Kong Limited since 8 July 2022 (the "Listing Date").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Material accounting policy information

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Material accounting policy information (Continued)

2.1 Basis of preparation (Continued)

As at 31 December 2023, the Group had a total cash and cash equivalents of RMB134,085,000 and bank deposits with the maturity over three months of RMB65,550,000. The directors are of the opinion that the Group has sufficient cash for its daily operation for the next twelve months. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

The following new standards, amendments to existing standards and interpretations are relevant and mandatory for the Group's annual reporting period beginning on 1 January 2023:

- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policies
- Amendments to HKAS 8, Definition of accounting estimates
- Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to HKAS 12, International Tax Reform — Pillar Two Model Rules
- HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17), Insurance Contracts

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(All amounts expressed in RMB unless otherwise stated)

2 Material accounting policy information (Continued)

2.1 Basis of preparation (Continued)

(b) New standards, amendments to standards and interpretations not yet adopted

The following amendments to existing standards and interpretations relevant to the Group have been issued but are not effective for the annual reporting period beginning on 1 January 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current and the related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to HKAS 21	Lack of exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Company anticipate that the application of the amendments to HKFRSs will have no material impact on the results and the financial position of the Group in the foreseeable future.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

2 Material accounting policy information (Continued)

2.2 Basis of consolidation (Continued)

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 entities of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 Income Taxes.

2 Material accounting policy information (Continued)

2.2 Basis of consolidation (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at each reporting date, and changes in fair value are recognised in profit or loss.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

2 Material accounting policy information (Continued)

2.2 Basis of consolidation (Continued)

Goodwill (Continued)

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Group's presentation currency. The Company's functional currency is Hong Kong Dollar ("HKD").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rate are generally recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

2 Material accounting policy information (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss and other comprehensive income, within finance costs — net. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income on a net basis within other gains — net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates of that period; and

(iii) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs incurred during the construction period are capitalised.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

2 Material accounting policy information (Continued)

2.6 Property, plant and equipment (Continued)

Construction in progress represents unfinished construction and equipment under construction or pending installation and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives, as follows:

Equipment and instruments	3 years
Office equipment and furniture	5 years
Vehicles	4–5 years
Leasehold improvements	2–4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and included in profit or loss.

2.7 Intangible assets

(a) Software

Acquired computer software is recognised at historical cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The Group amortised on a straight-line basis over their estimated useful lives of 3 years.

(b) Research and development expenditures

The Group incurs significant costs and efforts on research and development activities. Research expenditures are charged to the profit or loss as an expense in the period which the expenditure is incurred. Development costs are recognised as assets if they can be directly attributable to a newly developed medical instruments and all the following can be demonstrated:

(i) the technical feasibility of completing the development project so that it will be available for use or sale;

(ii) the intention to complete the development project and use or sell the intangible asset;

(iii) the ability to use or sell the intangible assets;

(iv) the manner in which the development project will generate probable future economic benefits for the Group;

2 Material accounting policy information (Continued)

2.7 Intangible assets (Continued)

(b) Research and development expenditures (Continued)

(v) the availability of adequate technical, financial and other resources to complete the development project and to use or sell the intangible asset; and

(vi) The expenditure attributable to the asset during its development can be reliably measured.

The cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalised in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

Capitalised development costs are amortised using the straight-line method over the life of the related intangible asset. Amortisation shall begin when the asset is available for use.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred.

(c) Customer relationship

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date (which is regarded as their cost). The customer relationship has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 10 years.

(d) Technology

Technology acquired in a business combination is recognised at fair value at the acquisition date (which is regarded as their cost). The technology has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 7 years.

The amortisation period and amortisation method of intangible assets are reviewed at each reporting period. The effects of any revision are recognised as profit or loss when the changes arise.

2.8 Impairment of non-financial assets (other than impairment of goodwill set out in accounting policy of goodwill above)

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Material accounting policy information (Continued)

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

(i) Those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

(ii) Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held and cash flow characteristics. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

2 Material accounting policy information (Continued)

2.9 Financial assets (Continued)

(c) Measurement (Continued)

Debt instruments (Continued)

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains — net". Interest income from these financial assets is included in finance income using the effective interest method. Foreign exchange gains and losses and impairment expenses are presented in "Other gains — net" and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net in the consolidated statement of profit or loss and other comprehensive income within other gains — net, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "Other gains — net" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Material accounting policy information (Continued)

2.9 Financial assets (Continued)

(d) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value (either through other comprehensive income or through profit or loss). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets.

For trade receivables, the expected credit losses are determined based on the Group's historical observed default rates and market credit loss rate over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the Group's historical observed default rates and market credit loss rate are updated and changes in the forward-looking estimates are analysed.

For bills receivables, the expected credit losses are mainly assessed by taking into account the credit rating for issuing financial institutions and is adjusted for forward-looking estimates. At every reporting date, the corresponding default rates are referred adjusted by considering forward-looking factors.

Impairment on other receivables are measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 Material accounting policy information (Continued)

2.12 Trade receivables, bills receivables and other receivables

Trade receivables and bills receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. If collection of trade receivables, bills receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

The Group holds bills receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Accruals and other payables

Accruals and other payables mainly represent the obligations to pay for services that have been acquired in the ordinary course of business. Accruals and other payables are presented as current liabilities unless payment is not due within one year or less after the reporting period.

Accruals and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Convertible preferred shares

Convertible preferred shares are shares with preferred rights issued to investors by the Group. For details, please refer to Note 30.

These convertible preferred shares are accounted for as equity instruments or financial liabilities at FVTPL.

For convertible preferred shares with no anti-dilution, redemption rights or liquidation preferences, they are accounted for as equity and are initially recognised at the proceeds received.

2 Material accounting policy information (Continued)

2.16 Convertible preferred shares (Continued)

For convertible preferred shares which are redeemable or refundable upon occurrence of certain events, they are designated as financial liabilities at FVTPL. They are initially recognised at fair value. Subsequent to initial recognition, these shares are carried at fair value with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income.

If the Company's own credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed as incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Material accounting policy information (Continued)

2.18 Current and deferred income tax (Continued)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefit expenses

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

2 Material accounting policy information (Continued)

2.19 Employee benefit expenses (Continued)

(b) Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the employee leaves.

(c) Housing funds, medical insurance and other social insurance

Employees in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable.

(d) Bonus plan

The expected cost of bonus is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(e) Employee leave entitlement

Employee entitlement to annual leave are recognised when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlement to sick leave and maternity leave is not recognised until the time of leave.

(f) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits.

2 Material accounting policy information (Continued)

2.20 Share-based compensation benefits of the Group

(a) Equity-settled share-based compensation benefits

Share-based compensation benefits are provided to employees. The fair value of equity-settled share-based compensation for the services received from employees was measured at the grant date of the equity instruments (including shares or share options). It was recognised as share-based compensation expenses in the profit or loss and as share-based compensation reserve respectively. The total amount to be expensed is determined by reference to the fair value of the shares granted as at grant date, including any market performance conditions, excluding the impacts of any service and non-market performance vesting conditions as well as including any non-vesting conditions, when applicable.

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on the non-marketing performance and service conditions, irrespective of whether those non-vesting conditions are satisfied. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income, with a corresponding adjustment to equity.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss, separately as "other income", over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment or right-of-use assets are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

2 Material accounting policy information (Continued)

2.22 Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

The Group provides for warranties in relation to the sale of certain products and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.23 Revenue recognition

Revenue is recognised when, or as, obligations under the terms of a contract are satisfied, which occurs when control of the promised products or services is transferred to customers. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring products or services to a customer ("transaction price").

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with using the same approach as for trade receivables. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. There is normally no significant cost to obtain contract.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2 Material accounting policy information (Continued)

2.23 Revenue recognition (Continued)

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Sale of products

Revenue from the sale of products is recognised at a point in time when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specific location where the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. Costs related to sales of goods are included in cost of sales. Revenue is recognised after netting off the estimated sales return (if any).

(b) Installation and training services

The Group provides installation and training services that are bundled together with the sale of products to customers.

Contracts for bundled sales of products and installation and training services are comprised of two performance obligations because the promises to transfer the products and provide installation and training services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative stand-alone selling prices of the products and installation and training services. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin approach.

Revenue from installation and training services is recognised over time, using input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of labour time spent on the services. Given that an installation and training service order is generally completed within a short period of time, the revenue from the provision of the installation and training services is recognised when the services have been rendered.

2.24 Leases

The Group leases various offices and warehouses. Rental contracts for offices and warehouses are typically made for fixed period from 1 year to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

2 Material accounting policy information (Continued)

2.24 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.25 Interest income

Interest income is recognised on a time-proportion basis taking into account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

2.27 Loss per share

To calculate loss per share, the Company assumes the capital structure upon the reorganisation (the "Reorganisation") and the capitalisation issue ("Capitalisation Issue") had been in effect historically.

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- The loss attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares;
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 Material accounting policy information (Continued)

2.27 Loss per share (Continued)

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency.

Certain bank balances and cash and financial assets at FVTPL are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group has entities operating in HKD, United States Dollar ("USD") and RMB, and the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Most foreign exchange transactions were denominated in USD for the group companies that have functional currency in HKD and RMB. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% (2022: 1%) change in foreign currency rates. The sensitivity analysis includes bank balances, bank deposits with the maturity over three months and financial assets at FVTPL where the denomination of these balances is in USD other than the functional currency of the group entities.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

If the USD strengthened/weakened by 1% against the RMB with all other variables held constant, net loss for the year ended 31 December 2023 would have been approximately RMB2,378,000 lower/higher (2022: RMB4,175,000 lower/higher). The Group did not hedge against any fluctuation in foreign currency. The Group timely monitors foreign exchange risk and will take measure to minimise foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

As at 31 December 2023, all outstanding borrowings were issued at variable rates.

For the year ended 31 December 2023, if the interest rate on borrowings increased/decreased by 0.5% with all other variables held constant, the Group's post-tax loss for the years would have been approximately RMB138,000 (2022: RMB17,000) higher/lower.

During the year ended 31 December 2023, the Group did not enter into any interest rate swap to hedge its exposure to cash flow and fair value interest rate risk (2022: nil).

(b) Credit risk

The carrying amounts of cash and cash equivalents, bank deposits, trade receivables, bills receivables and other receivables included in the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

(i) Cash and cash equivalents, bank deposits, bills receivables

To manage this risk, cash and cash equivalents and bank deposits are mainly placed or invested with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. The acceptor of the bills are all state-owned or reputable financial institutions in the PRC. While cash and cash equivalents, banks deposits and bills receivables were also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial as the Group does not expect any losses from non-performance by these banks as they have no default history in the past.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade receivables

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current year.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant as follows:

	Current	Up to 3 months	3 to 6 months	6 to 12 months	Total
At 31 December 2023					
Expected loss rate	—	2.92%	1.56%	26.66%	9.82%
Gross carrying amount	1,888	377	384	1,444	4,093
Loss allowance	—	11	6	385	402

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Allowance of impairment of trade receivables RMB'000
At 1 January 2023	—
Impairment losses recognised on trade receivables	402
Year ended 31 December 2023	402

According to assessment of the management, since all of the trade receivables balances as at 31 December 2022 were due from customers which had low risk of default and usually settled within credit period. The exposure to credit risk for the balance was assessed within lifetime ECL, in the opinion of the management, the impairment loss for the trade receivables from the customers as at 31 December 2022 was immaterial.

Included in the Group's trade receivables balance as at 31 December 2023, RMB1,059,000 representing 29% of the total trade receivables, is due from one single customer. There are no other customers who represent more than 5% of the total trade receivable balance as at 31 December 2023.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables

For other receivables, the Group made periodic collective assessment as well as individual assessment on the recoverability based on past experience and forward-looking information and other factors.

The Group's other receivables (excluding value-added tax recoverable) were mainly refundable deposits and short-term loans to employees or related parties. For other receivables, the Group assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors. Management also makes periodic collective assessments as well as individual assessment on the recoverability of these receivables and follows up the disputes or amounts overdue, if any. The management assessed the loss allowance for other receivables on collective assessments were recognised and the expected loss for others on an individual basis was immaterial.

The loss allowance as at 31 December 2023 and 2022 was determined as follows for other receivables and amounts due from related parties:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Gross carrying amount	**9,144**	9,297
Expected loss rate	**0.35%**	0.89%
Total loss allowance	**32**	83

Movements on the Group's allowance for impairment of other receivables are as follows:

	Allowance of impairment of other receivables
	RMB'000
At 1 January 2023	**83**
Provision for loss allowance	**96**
Year ended 31 December 2023	**179**
At 1 January 2022	14
Provision for loss allowance	69
Year ended 31 December 2022	83

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables (Continued)

Other receivables are written off when there is no reasonable expectation of recovery. Subsequent recoveries of amounts previously written off are credited to profit or loss. No written-off was made during the year ended 31 December 2023 (2022:nil).

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each of the reporting period date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2023					
Trade and other payables (excluding other tax payables)	**24,777**	**—**	**—**	**24,777**	**24,777**
Borrowings (including interest payables)	**4,484**	**8,229**	**3,966**	**16,679**	**15,571**
Lease liabilities (including interest payables)	**4,158**	**377**	**—**	**4,535**	**4,430**
	33,419	**8,606**	**3,966**	**45,991**	**44,778**
As at 31 December 2022					
Trade and other payables (excluding other tax payables)	32,958	—	—	32,958	32,958
Borrowings (including interest payables)	18,363	—	—	18,363	18,000
Lease liabilities (including interest payables)	7,791	3,303	377	11,471	10,978
	59,112	3,303	377	62,792	61,936

The Group recognises the financial liabilities issued to investors at fair value through profit or loss. Accordingly, the financial liabilities at FVTPL are managed on a fair value basis rather than by maturing dates (Note 30).

3 Financial risk management (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's overall strategy remains unchanged from prior year.

The Group monitors capital by regularly reviewing the capital structure. The Group may adjust the amount of dividends paid to shareholders, provide returns for shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity as shown in the consolidated statements of financial position and preferred shares on an as-if-converted basis. As at 31 December 2023 and 2022, the Group has no net debt outstanding.

3.3 Fair value estimation

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, bank deposits, trade and other receivables (excluding prepayments), bills receivables, borrowings and accruals and other payables) approximate their fair values.

(a) Fair value hierarchy

The Group applies HKFRS 13 for financial instruments that are measured in the consolidated statements of financial position at fair value, which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities that were measured at fair value at 31 December 2023 and 2022:

	As at 31 December	
	2023	2022
	Level 3	Level 3
	RMB'000	RMB'000
Assets		
— Financial assets at FVTPL (Note 23)	**135,647**	132,645

There were no transfers between levels 1, 2 and 3 during the years ended 31 December 2023 and 2022. The Group has no financial instruments in level 1 and level 2.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

— Quoted market prices or dealer quotes for similar instruments;

— Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and

— A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

(c) Fair value measurements using significant unobservable inputs (level 3)

During the year ended 31 December 2023 and 2022, the Group's financial assets at FVTPL (Note 22) represented certain non-capital protected wealth management products denominated in USD which primarily invested in bonds and bank deposits. As these instruments were not traded in active market, their fair values were determined based on the expected rate of return on the Group's investment. Credit risk was not considered to be a significant input factor in fair value measurements of financial assets at FVTPL.

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (Continued)

The changes in level 3 instruments for the years ended 31 December 2023 and 2022 are presented in Note 23.

(d) Valuation inputs and relationships to fair value

The quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (b) above for the valuation techniques adopted) and the valuation processes of financial instruments in level 3 for the years ended 31 December 2023 and 2022 are presented in Note 23.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimation of goodwill impairment

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining whether goodwill is impaired requires an estimation of the recoverable amount of cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

(b) Research and development expenses

Development costs incurred on the Group's medical instrument pipelines are capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

4 Critical accounting estimates and judgements (Continued)

(c) Expected credit losses on receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and loss allowance provision in the periods in which such estimate has been changed. For details of key assumptions and inputs used, please refer to Note 3.1 above.

(d) Deferred income tax

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

(e) Share-based compensation expenses

(i) Share award

As mentioned in Note 28, 10% equity of Suzhou Runxin Medical Instrument Co., Ltd ("Suzhou Runxin") were awarded to selected grantees of the Group at nominal consideration for their past contributions made to the Group. As there was no future service conditions attached to the award, the share-based awards were vested immediately. The directors used the discounted cash flow method to determine the Group's valuation and equity allocation model to determine the total fair value of these shares awarded. Significant judgments on key assumptions, such as discount rate, risk-free interest rate, volatility and dividend yield are required to be made by the directors.

(ii) Pre-IPO share option scheme

As mentioned in Note 28, the Group has granted share options to its selected employees. The Company has used the Binomial option-pricing model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity valued, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Company in applying the Binomial option-pricing model.

5 Segment and revenue information

(a) Description of segments and principal activities

The Group is engaged in the R&D, manufacturing, and commercialisation of medical instrument related to caFFR system and caIMR system. 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.

5 Segment and revenue information (Continued)

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time:		
— Sales of products	**72,684**	82,634
Over time:		
— Installation and training services	**535**	970
	73,219	83,604

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Contract liabilities:		
Consideration for sales of goods	**1,783**	1,723
Consideration for installation and training services	**2,201**	1,764
	3,984	3,487

As at 1 January 2022, contract liabilities amounted to RMB6,730,000.

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

The Group receives most of the contract values as deposits from customers when they sign the sale and purchase agreements for sales of medical equipment. The deposits and advance payment schemes result in contract liabilities being recognised until the customers obtain control of products or receive the installation and training services.

5 Segment and revenue information (Continued)

(d) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year:		
— Sales of goods	**1,493**	3,125
— Installation and training services	**335**	533
	1,828	3,658

(e) Geographical information

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
	Revenue	Revenue
China	**72,743**	82,437
Others	**476**	1,167
	73,219	83,604

As at 31 December 2023 and 2022, all of the non-current assets of the Group were located in the PRC.

(f) Information about major customers

The major customers which contributed more than 10% of the total revenue of the Group for the years ended 31 December 2023 and 2022 are listed as below:

	Year ended 31 December	
	2023	2022
Customer A	**14.22%**	12.89%
Customer B	**11.30%**	11.54%
Total	**25.52%**	24.43%

5 Segment and revenue information (Continued)

(g) Unsatisfied performance obligations

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

6 Expenses by nature

Expenses included in cost of sales, research and development expenses, selling expenses and general and administrative expenses were analysed as follow:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses (Note 7)	**134,364**	138,886
Less: amount included in capitalised development costs in intangible assets	**(15,627)**	(6,281)
Professional services	**6,607**	9,013
Depreciation and amortisation charges	**22,768**	17,106
Less: amount included in capitalised development costs in intangible assets	**(531)**	(444)
Raw material costs	**20,059**	8,631
Changes in inventories of finished goods and work in progress	**(463)**	1,991
Travelling expenses	**8,588**	4,849
Promotion and hospitality expenses	**17,275**	23,403
Short-term lease expenses	**1,007**	791
Clinical trials and testing expenses	**4,423**	2,019
Utilities	**1,140**	774
Auditors' remuneration	**2,026**	3,055
— Audit services	**1,228**	2,572
— Non-audit services	**798**	483
Listing expenses	**—**	20,756
Tax surcharges	**681**	501
Other expenses	**9,242**	8,969
	211,559	234,019

7 Employee benefit expenses (including directors' and senior management's emoluments)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, wages and bonuses	**102,503**	101,792
Contributions to pension plans (a)	**10,523**	9,404
Housing fund, medical insurance and other social insurance	**10,552**	9,078
Share-based compensation expenses (Note 28)	**7,476**	13,404
Other welfare for employees	**3,310**	5,208
	134,364	138,886

(a) The employees of the Group in the PRC are members of a state-managed pension scheme operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

8 Directors' and chief executive's emoluments

(a) Directors' and chief executive's emoluments

The remuneration paid or payable to the directors of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) and the chief executive during the years ended 31 December 2023 and 2022 were as follows.

	Fees	Salaries	Discretionary bonuses (i)	Employer's housing fund and social security costs	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023						
Executive directors						
Mr. Huo Yunfei	**216**	**1,813**	**148**	**143**	**1,025**	**3,345**
Ms. Gu Yang	**216**	**1,067**	**104**	**119**	**359**	**1,865**
Mr. Lyu Yonghui	**216**	**1,903**	**148**	**197**	**462**	**2,926**
Mr. Zhang Liang	**216**	**1,909**	**148**	**180**	**616**	**3,069**
Non-executive directors						
Mr. Wang Lin (ii)	**—**	**—**	**—**	**—**	**—**	**—**
Mr. Heng Lei (ii)	**—**	**—**	**—**	**—**	**—**	**—**
Independent non-executive directors						
Mr. Liu Shuen Kong (iii)	**252**	**—**	**—**	**—**	**—**	**252**
Mr. Li Ho Man (iii)	**252**	**—**	**—**	**—**	**—**	**252**
Mr. Lau Tsz Ho Tony (iii)	**158**	**—**	**—**	**—**	**—**	**158**
Mr. Chen XueFeng (iii)	**95**	**—**	**—**	**—**	**—**	**95**
	1,621	**6,692**	**548**	**639**	**2,462**	**11,962**

8 Directors' and chief executive's emoluments (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (i) RMB'000	Employer's housing fund and social security costs RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
Year ended 31 December 2022						
Executive directors						
Mr. Huo Yunfei	104	1,776	6,132	124	1,321	9,457
Ms. Gu Yang	104	1,054	394	97	463	2,112
Mr. Lyu Yonghui	104	1,779	2,904	124	595	5,506
Mr. Zhang Liang	104	1,806	5,289	122	793	8,114
Non-executive directors						
Mr. Wang Lin (ii)	—	—	—	—	—	—
Mr. Heng Lei (ii)	—	—	—	—	—	—
Independent non-executive directors						
Mr. Liu Shuen Kong (iii)	121	—	—	—	—	121
Mr. Li Ho Man (iii)	121	—	—	—	—	121
Mr. Lau Tsz Ho, Tony (iii)	121	—	—	—	—	121
	779	6,415	14,719	467	3,172	25,552

(i) Discretionary bonuses are determined with reference to the performance of the relevant directors and chief executive and the group performance.

(ii) During the years ended 31 December 2023 and 2022 the non-executive directors, Mr. Wang Lin and Mr. Heng Lei, waived all their remunerations in the capacity of non-executive directors.

(iii) Mr. Liu Shuen Kong, Mr. Li Ho Han and Mr. Lau Tsz Ho, Tony were appointed as the independent non-executive directors of the Company on 18 June 2022.

Mr. Lau Tsz Ho, Tony resigned as the independent non-executive director of the Company on 15 August 2023 . Mr. Chen XueFeng was appointed as the independent non-executive director of the Company on 15 August 2023.

8 Directors' and chief executive's emoluments (Continued)

(b) Directors' retirement and termination benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2023 (2022: nil).

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the year ended 31 December 2023 (2022: nil).

No compensation was made for termination of service of directors or as an inducement to join or upon joining the Group during the year ended 31 December 2023 (2022: nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2023, the Company did not pay consideration to any third parties for making available Directors' services (2022: nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2023 (2022: nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2023 (2022: nil).

(f) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 (2022: 3) directors for the year ended 31 December 2023. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 (2022: 2) individuals during the year ended 31 December 2023 are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**3,877**	4,875
Contribution to pension scheme	**102**	108
Discretionary bonuses	**1,918**	3,173
	5,897	8,156

8 Directors' and chief executive's emoluments (Continued)

(f) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2023	2022
Emoluments bands		
HKD2,000,001 to HKD2,500,000	**1**	—
HKD3,500,001 to HKD4,000,000	**—**	1
HKD4,000,001 to HKD4,500,000	**1**	—
HKD5,500,001 to HKD6,000,000	**—**	1
	2	2

9 Other income

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants	**5,585**	5,332

During the current year, the Group recognised government grants of RMB5,585,000 (2022: RMB5,332,000) in respect of support for research and development in the technology and medical field. There are no conditions and other contingencies attached to the receipts of these subsidies.

10 Other gains — net

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Net foreign exchange gains	**1,078**	2,017
Gain from derecognition of wealth management products	**1,345**	—
Losses on disposals of property, plant and equipment	**(11)**	(15)
Fair value change in financial assets at FVTPL (Note 23)	**1,059**	1
Others	**1,196**	(105)
	4,667	1,898

11 Finance costs — net

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance income		
— Interest income on bank deposits	**12,405**	3,495
Finance costs		
— Interest expenses on borrowings	**(939)**	(135)
— Interest expenses on lease liabilities	**(370)**	(625)
	(1,309)	(760)
Finance costs — net	**11,096**	2,735

12 Income tax credit

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax	**(15)**	(6)
Deferred income tax	**37**	5,456
	22	5,450

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

(a) Cayman Islands and BVI

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

(b) Hong Kong

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group did not have estimated assessable profit in Hong Kong during the years ended 31 December 2023 and 2022.

(c) Mainland China

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

Suzhou Rainmed Medical Technology Company Limited ("Suzhou Rainmed"), the Group's major operating subsidiary in the PRC, has obtained the approvals to become a new and high-technology enterprise in December 2021, which is effective for three years commencing on 1 January 2021. Suzhou Rainmed are entitled to a preferential income tax rate of 15% on the estimated assessable profits for the year ended 31 December 2023 and 2022.

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

12 Income tax credit (Continued)

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before income tax	**117,088**	1,351,413
Tax calculated at tax rates of 15%	**17,563**	202,712
Tax effect of:		
Effect of different tax rate	**(2,304)**	(3,849)
Expenses not deductible for tax purposes	**(1,443)**	(184,397)
Additional deduction of research and development and other expenses	**8,066**	5,858
Tax loss not recognised as deferred income tax assets	**(21,860)**	(14,874)
Income tax credit	**22**	5,450

(e) Deferred income tax assets not recognised:

The Group has not recognised any deferred income tax assets in respect of the following items:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Accumulated deductible losses	**261,873**	90,031

12 Income tax credit (Continued)

(f) Deductible losses that are not recognised as deferred income tax assets will be expired as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
2025	**1,771**	1,771
2026	**8,577**	8,577
2027	**21,991**	21,991
2028	**55,955**	12,683
2032	**32,626**	32,626
2033	**110,223**	—
No expiry date	**30,730**	12,383
	261,873	90,031

The tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extending the expired years of tax losses of High-Tech Enterprises and Small and Medium-sized Technological Enterprises issued in July 2018, which retrospectively effects from 1 January 2018, the expiration year of the unused tax losses was extended from 5 years to 10 years.

13 Loss per share

(a) Basic loss per share

The calculation of basic loss per share for the year ended 31 December 2023 is based on the loss attributable to equity shareholders of the Company of RMB115,830,000 (2022: RMB1,345,963,000) and the weighted average of 1,167,799,000 ordinary shares (2022: 898,232,000 ordinary shares) in issue during the year, calculated as follows:

	Year ended 31 December	
	2023	2022
Loss attributable to shareholders of the Company (RMB'000)	**(115,830)**	(1,345,963)
Weighted average number of ordinary shares in issue (thousand) (i)	**1,167,799**	898,232
Basic loss per share (in RMB/share)	**(0.10)**	(1.50)

(i) The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2022 has been retrospectively adjusted for the capitalisation issue.

13 Loss per share (Continued)

(b) Diluted loss per share

The Group has potential dilutive shares throughout the years ended 31 December 2023 and 2022 related to the Pre-IPO share option scheme (Note 28). For the years ended 31 December 2023 and 2022 respectively, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2023 and 2022 are the same as basic loss per share.

14 Property, plant and equipment

	Equipment and instruments RMB'000	Office equipment and furniture RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2023						
Opening net book amount	**2,203**	**5,494**	**80**	**19,812**	**2,139**	**29,728**
Acquired on acquisition of a subsidiary	**10**	**259**	**6**	**—**	**—**	**275**
Additions	**452**	**8,727**	**—**	**1,499**	**81,322**	**92,000**
Disposals	**(33)**	**(45)**	**(6)**	**—**	**—**	**(84)**
Transfers	**—**	**114**	**—**	**1,791**	**(1,905)**	**—**
Depreciation charge	**(1,134)**	**(2,398)**	**(26)**	**(9,244)**	**—**	**(12,802)**
Closing net book amount	**1,498**	**12,151**	**54**	**13,858**	**81,556**	**109,117**
Cost	**4,057**	**16,269**	**130**	**38,335**	**81,556**	**140,347**
Accumulated depreciation	**(2,559)**	**(4,118)**	**(76)**	**(24,477)**	**—**	**(31,230)**
Net book amount	**1,498**	**12,151**	**54**	**13,858**	**81,556**	**109,117**
Year ended 31 December 2022						
Opening net book amount	1,781	3,050	106	19,149	4,784	28,870
Additions	1,491	3,512	—	296	6,839	12,138
Disposals	(172)	—	—	—	—	(172)
Transfers	—	—	—	9,484	(9,484)	—
Depreciation charge	(897)	(1,068)	(26)	(9,117)	—	(11,108)
Closing net book amount	2,203	5,494	80	19,812	2,139	29,728
At 31 December 2022						
Cost	3,797	7,402	130	35,045	2,139	48,513
Accumulated depreciation	(1,594)	(1,908)	(50)	(15,233)	—	(18,785)
Net book amount	2,203	5,494	80	19,812	2,139	29,728

14 Property, plant and equipment (Continued)

Depreciation charges on property, plant and equipment of the Group is analysed as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of sales	**3,175**	1,860
Research and development expenses	**2,643**	1,468
Selling expenses	**1,135**	1,324
General and administrative expenses	**5,322**	6,149
Capitalised development costs in intangible assets	**527**	307
	12,802	11,108

15 Intangible assets

	Software	Capitalised development costs	Customer relationship	Technology	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023					
Opening net book amount	**890**	**12,211**	**—**	**—**	**13,101**
Additions — internal development	**—**	**26,219**	**—**	**—**	**26,219**
Additions — acquired separately	**616**	**—**	**3,000**	**2,900**	**6,516**
Amortisation charge	**(501)**	**(3,248)**	**(225)**	**(311)**	**(4,285)**
Closing net book amount	**1.005**	**35,182**	**2,775**	**2,589**	**41,551**
At 31 December 2023					
Cost	**1,804**	**38,430**	**3,000**	**2,900**	**46,134**
Accumulated amortisation	**(799)**	**(3,248)**	**(225)**	**(311)**	**(4,583)**
Net book amount	**1,005**	**35,182**	**2,775**	**2,589**	**41,551**
Year ended 31 December 2022					
Opening net book amount	244	—	—	—	244
Additions — internal development	—	12,211	—	—	12,211
Additions — acquired separately	944	—	—	—	944
Amortisation charge	(298)	—	—	—	(298)
Closing net book amount	890	12,211	—	—	13,101
At 31 December 2022					
Cost	1,188	12,211	—	—	13,399
Accumulated amortisation	(298)	—	—	—	(298)
Net book amount	890	12,211	—	—	13,101

15 Intangible assets (Continued)

During the year ended 31 December 2023, development costs approximately amounted to RMB26,219,000 (2022: RMB12,211,000) have been capitalised and research and development expenses approximately amounted to RMB41,328,000 (2022: RMB44,172,000) are expensed when incurred.

Amortisation charges on intangible assets of the Group is analysed as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Research and development expenses	**267**	177
General and administrative expenses	**213**	98
Cost of sales	**3,801**	1
Capitalised development costs in intangible assets	**4**	22
	4,285	298

16 Goodwill

During the year ended 31 December 2023, the Group acquired a subsidiary and the details are set out in Note 35. Total identifiable net assets attributable to the Group of the entity acquired as at the respective acquisition date amounting to RMB19,568,000, including identified customer relationship and technology of RMB3,000,000 and RMB2,900,000 respectively recognised by the Group. Independent valuations were performed by an independent valuer to determine the amount of the customer relationship and technology recognised by the Group during the year end 31 December 2023.

Impairment tests for goodwill

Management performed an impairment assessment on the goodwill as at 31 December 2023. The recoverable amount of the business operated by the acquired subsidiary has been assessed by an independent valuer or the management and determined based on a value-in-use ("VIU") calculation. The VIU used discounted cash flow was calculated based on five-year period financial projections approved by management.

16 Goodwill (Continued)

Impairment tests for goodwill (Continued)

The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 17%. The cash flows beyond the five-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development, which are subject to higher degree of estimation uncertainties.

During the year ended 31 December 2023, management of the Group determines that there are no impairments of any of its cash-generating units containing goodwill.

17 Right-of-use assets

(a) Amounts recognised in the consolidated statements of financial position:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost	**23,966**	18,735
Accumulated depreciation	**(15,432)**	(9,721)
Net book amount	**8,534**	9,014
Opening net book amount	**9,014**	14,327
Additions	**5,346**	1,514
Lease modification	**—**	(1,127)
Depreciation charge (d)	**(5,826)**	(5,700)
Closing net book amount	**8,534**	9,014

17 Right-of-use assets (Continued)

(b) The consolidated statement of profit or loss and other comprehensive income and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest expenses	**370**	625
Expenses relating to short-term leases	**1,007**	791
The cash outflow for leases as operating activities	**1,007**	791
The cash outflow for leases as financing activities	**12,264**	6,602

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 1 year to 4 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Amortisation charges on right-of-use assets of the Group is analysed as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
General and administrative expenses	**2,358**	2,919
Selling expenses	**1,464**	1,583
Cost of sales	**1,152**	760
Research and development expenses	**707**	323
Capitalised to construction in progress	**145**	—
Capitalised development costs in intangible assets	**—**	115
	5,826	5,700

18 Deferred income tax assets and liabilities

(a) The analysis of deferred income tax assets is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Deferred income tax assets		
— to be recovered within 12 months	**4,108**	4,099
— to be recovered after more than 12 months	**20,522**	20,520
	24,630	24,619

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Deferred income tax liabilities		
— to be recovered within 12 months	**—**	—
— to be recovered after more than 12 months	**269**	—
	269	—

(b) The net movements on the deferred income tax were as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Deferred income tax assets		
At beginning of the year	**24,619**	19,163
Credited to profit or loss	**11**	5,456
Deferred income tax assets net book amount	**24,630**	24,619

18 Deferred income tax assets and liabilities (Continued)

(b) The net movements on the deferred income tax were as follows: (Continued)

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Deferred income tax liabilities		
At beginning of the year	**—**	—
Credited to profit or loss	**26**	—
Acquisition of a subsidiary (Note 35)	**(295)**	—
Deferred income tax liabilities net book amount	**(269)**	—

(c) The movements in deferred income tax during the years ended 31 December 2023 and 2022 are as follows:

	Provisions RMB'000	Tax losses RMB'000	Accruals RMB'000	Others RMB'000	Deferred income tax assets total RMB'000	Fair value adjustments arising from acquisition	Deferred income tax liabilities total
At 1 January 2023	**10**	**23,370**	**760**	**479**	**24,619**	**—**	**—**
Credited to profit or loss	**7**	**2**	**—**	**2**	**11**	**26**	**26**
Acquisition of a subsidiary (note 35)	**—**	**—**	**–**	**—**	**—**	**(295)**	**(295)**
At 31 December 2023	**17**	**23,372**	**760**	**481**	**24,630**	**(269)**	**(269)**

	Provisions RMB'000	Tax losses RMB'000	Accruals RMB'000	Others RMB'000	Deferred income tax assets total RMB'000	Fair value adjustments arising from acquisition	Deferred income tax liabilities total
At 1 January 2022	2	18,085	714	362	19,163	—	—
Credited to profit or loss	8	5,285	46	117	5,456	—	—
At 31 December 2022	10	23,370	760	479	24,619	—	—

19 Inventories

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Raw materials	**4,995**	3,278
Work in progress	**840**	2,759
Finished goods	**3,951**	1,569
	9,786	7,606

Cost of inventories included in cost of sales, research and development expenses, selling expenses and general, administrative expenses and capitalised development costs during the years ended 31 December 2023 and 2022 were as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of sales	**22,860**	13,278
Research and development expenses	**7,311**	5,174
Selling expenses	**4,740**	2,368
General and administrative expenses	**122**	55
Capitalised development costs in intangible assets	**3,136**	1,884
	38,169	22,759

20 Bills receivables

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Bank acceptance bills	**—**	3,531

As at 31 December 2023 and 2022, no bills has been endorsed to the suppliers or discounted to the bank.

21 Trade and other receivables

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Trade receivables (a)	**3,691**	148
Other receivables (b)	**9,112**	9,322
Less: non-current portion	**(2,453)**	(2,936)
Trade and other receivables — net	**10,350**	6,534

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

(a) Trade receivables

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Trade receivables	**4,093**	148
Less: provision for impairment	**(402)**	—
Trade receivables — net	**3,691**	148

As at 31 December 2023, the gross amount of trade receivables arising from contracts with customers amounted to RMB4,093,000 (2022: RMB148,000)

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

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
Within 30 days	**1,888**	43
31 days to 90 days	**377**	—
91 days to 180 days	**384**	105
181 days to 360 days	**1,444**	—
	4,093	148

As at 31 December 2023, included in the Group's trade receivables balance were debtors with aggregate carrying amount of RMB1,444,000 (2022: nil) which were past due as at the reporting date.

21 Trade and other receivables (Continued)

(b) Other receivables

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Loans to employees	**—**	4,000
Deposits	**3,251**	3,222
Amount due from a related party (Note 37(c))	**—**	2,000
Value-added tax recoverable	**4,838**	108
Others	**1,055**	75
	9,144	9,405
Less: provision for impairment	**(32)**	(83)
Other receivables — net	**9,112**	9,322
Less: non-current portion	**(2,453)**	(2,936)
	6,659	6,386

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The carrying amounts of the Group's other receivables approximate their fair values.

22 Prepayments

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayments		
Prepayments for purchase of equipment	**5,217**	5,927
Prepayments for purchase of services	**11,120**	5,323
Prepayments for purchase of raw materials	**1,394**	1,816
Others	**1,283**	1,236
	19,014	14,302
Less: non-current portion	**(5,217)**	(7,499)
Current portion	**13,797**	6,803

23 Financial assets at FVTPL

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
As at beginning of year	**132,645**	—
Additions	**130,005**	130,437
Disposals	**(129,985)**	(3,379)
Change in fair value (Note 10)	**1,059**	1
Currency translation differences	**1,923**	5,586
As at end of year	**135,647**	132,645

The Group managed and evaluated the performance of investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence are designated as financial assets at FVTPL as at 31 December 2023.

The following table summarises the quantitative information about the significant unobservable inputs used in fair value measurements of financial assets at FVTPL:

Description	**Unobservable inputs**	**Inputs data**	**Relationship of unobservable inputs to fair value**
Investment in wealth management products	Expected rate of return	1.60%	The higher the expected rate of return, the higher the fair value

If the expected rate of return of the fair values of financial assets at FVTPL held by the Group had increased/ decreased 10%, the loss for the year ended 31 December 2023 would have been approximately RMB170,000 lower/higher (2022: RMB100 lower/higher).

24 Cash and bank balance

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash at bank		
— RMB	**68,959**	86,933
— USD	**62,732**	3,282
— EUR	**73**	387
— HKD	**2,321**	516
	134,085	91,118
Bank deposits with the maturity over three months		
— USD	**65,550**	355,196
	199,635	446,314
Analysed as:		
Cash and cash equivalents	**134,085**	91,118
Bank deposits with maturity date between three months to one year	**65,550**	355,196
	199,635	446,314

The Group's cash and cash equivalents carry interest at market rates which range from 0.25% to 0.5% (31 December 2022: 0.25% to 0.5%) per annum. The bank deposits with maturity date between three months to one year carry interest at market rates which range from 3.49% to 4.9% (31 December 2022: 3.49% to 5%) per annum.

25 Financial instruments by category

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Assets		
Financial assets at amortised costs:		
— Bills receivables (Note 20)	**—**	3,531
— Trade receivables (Note 21)	**3,691**	148
— Other receivables (Note 21)	**4,274**	9,214
— Cash and bank balance (Note 24)	**199,635**	446,314
Financial assets at fair value:		
— Financial assets at FVTPL (Note 23)	**135,647**	132,645
Total	**343,247**	591,852
Liabilities		
Financial liabilities at amortised cost:		
— Trade and other payables (excluding other tax payables) (Note 33)	**24,777**	32,958
— Borrowings (Note 31)	**15,571**	18,000
— Lease liabilities (Note 32)	**4,430**	10,978
Total	**44,778**	61,936

26 Share capital and premium

On 9 April 2021, the Company was incorporated in the Cayman Islands as a company with limited liability with authorised share capital comprised of 3,800,000,000 shares at par value of HKD0.0001 per share.

	Number of ordinary shares	Share capital		Share premium	Total
		HKD'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	11,362,880	1	1	—	1
Shares issued pursuant to Capitalisation Issue (i)	1,121,120,000	112	96	(96)	—
Shares issued upon global offering and over-allotment (ii)	23,799,000	2	2	109,240	109,242
Conversion of preferred shares to ordinary shares upon global offering (iii)	11,517,120	1	1	2,677,685	2,677,686
As at 31 December 2022 and 31 December 2023	1,167,799,000	116	100	2,786,829	2,786,929

(i) By shareholders' resolution dated 18 June 2022 and conditional upon the share premium amount of the Company being credited as a result of the proposed offering of the Company's shares, the Company issued additional 1,121,120,000 shares, credited as fully paid, to the existing shareholders of the Company on 8 July 2022.

(ii) On 8 July 2022, the Company successfully completed its initial public offering of 23,348,000 shares at HKD6.24 per share, and its shares were listed on the Main Board of the Stock Exchange.

On 30 July 2022, the international underwriters of the global offering partially exercised the over-allotment option, pursuant to which the Company allotted and issued 451,000 ordinary shares of the Company at the offer price of HKD6.24 per share.

Total gross proceeds from the global offering and over-allotment amounted to HKD148,505,760 (equivalent to approximately RMB126,990,000), which was divided into HKD2,380 (equivalent to approximately RMB2,000) of share capital and HKD148,503,380 (equivalent to approximately RMB126,988,000) of share premium, respectively.

Listing expenses to be capitalised at approximately RMB17,748,000 that were directly attributable to the issuance of ordinary shares in connection with the Listing were treated as a deduction from share premium.

(iii) An aggregate of issued 9,989,660 Refundable Preferred Shares and 1,527,460 Series A Preferred Shares were converted to 11,517,120 ordinary shares immediately prior to the completion of the Listing. The financial liabilities at FVTPL related to Refundable Preferred Shares were derecognised and credited to equity on the Listing date.

27 Other reserves

	Share-based compensation reserve (i) RMB'000	Foreign currency translation reserve (ii) RMB'000	Merger reserves RMB'000	Total RMB'000
At 1 January 2023	**80,575**	**(33,180)**	**3,869**	**51,264**
Share-based compensation expense (Note 28)	**7,476**	**—**	**—**	**7,476**
Currency translation differences	**—**	**4,767**	**—**	**4,767**
At 31 December 2023	**88,051**	**(28,413)**	**3,869**	**63,507**
At 1 January 2022	67,171	15,069	3,869	86,109
Share-based compensation expense (Note 28)	13,404	—	—	13,404
Currency translation differences	—	(48,249)	—	(48,249)
At 31 December 2022	80,575	(33,180)	3,869	51,264

(i) Share-based compensation reserve arises from share-based compensation granted to employees of the Group.

(ii) Foreign currency translation reserve represents the difference arising from the translation of financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

28 Share-based compensation

(a) Share award

On 6 January 2021, the shareholders of the Group agreed to award 10% equity interest of Suzhou Runxin, which is the main operating entity of the Group before the Reorganisation, to Suzhou Huiying Enterprise Management Partnership (Limited Partnership) ("Suzhou Huiying"), a limited partnership established by certain directors and employees of the Group (the "Share Award"), at a nominal consideration of approximately RMB933,000 for past contributions made to the Group by selected grantees. These equity interest were converted into 1,767,840 ordinary shares of the Company during the Reorganisation. As there were no future service conditions attached to the Share Award, these share-based awards were vested immediately.

The excess of the fair value of the above equity interest on the grant date over the cash consideration paid by the selected grantees is accounted for as share-based compensation expenses (included in the employee benefit expenses) in the Group's consolidated statements of comprehensive income. Accordingly, share-based compensation expenses of approximately RMB66,445,000 were recognised during the year ended 31 December 2021.

(All amounts expressed in RMB unless otherwise stated)

28 Share-based compensation (Continued)

(a) Share award (Continued)

The valuation of the equity interests of the Group for the share-based awards was undertaken by an independent qualified professional valuer, which adopted discounted cash flow method in determining the Group's valuation and equity allocation model in determining the fair value of the ordinary shares.

The fair value of the shares granted and the significant input to the model at grant date were summarised as below:

Fair value of the shares granted (RMB)	67,378,000
Number of shares granted	1,767,840
Grant date	6 January 2021
Vesting date	6 January 2021
Discount rate	22.00%
Risk-free interest rate	2.98%
Volatility	45.36%
Expected dividend yield	0.00%

(b) Pre-IPO share option scheme

On 10 December 2021, the board of directors adopted a Pre-IPO share option scheme ("the Pre-IPO Share Option Scheme") to attract, retain and motivate employees of the Group. Under the Share Option Scheme, a number of 707,628 share options of ordinary shares of the Company, have been granted to the Group's employees, with an exercise price of HKD194.97 (equivalent to USD25.00) per share.

Under the Pre-IPO Share Option Scheme, the options are to be vested based on service condition. The service condition is designed to acquire service from employees for a specified period. The vesting period of the share options granted is three years after the Listing and the vesting schedule is 30% after twelve months after the Listing, 30% after 24 months after the Listing, and 40% after 36 months after the Listing, respectively.

The share-based compensation expenses for the Pre-IPO Share Option Scheme recognised during the year ended 31 December 2023 was approximately RMB7,476,000 (2022: RMB13,404,000).

The valuation of the share options of the Company for the Pre-IPO Share Option Scheme was undertaken by an independent qualified professional valuer, which adopted the Binomial option-pricing model in determining the Group's valuation and equity allocation model in determining the fair value of the share options.

(All amounts expressed in RMB unless otherwise stated)

28 Share-based compensation (Continued)

(b) Pre-IPO share option scheme (Continued)

The significant input to the model at grant date were summarised as below:

Number of shares under the option granted	707,628
Grant date	10 December 2021
Fair value of the ordinary shares on the date of option grant (USD)	18.39
Risk-free interest rate	1.48%
Volatility	44.38%
Expected dividend yield	0.00%

Movements of the number of share options outstanding and their related weighted average exercise prices are as follows:

	Year ended 31 December			
	2023		2022	
	Average exercise price	**Number of shares under the option**	Average exercise price	Number of shares under the option
As at beginning of year	**HKD3.90**	**34,026,400**	HKD194.97	707,628
Capitalisation Issue	**—**	**—**	HKD3.90	34,673,772
Forfeited after Capitalisation Issue	**HKD3.90**	**(5,032,500)**	HKD3.90	(1,355,000)
As at end of year	**HKD3.90**	**28,993,900**	HKD3.90	34,026,400

No options expired or exercised during the periods covered by the above tables.

28 Share-based compensation (Continued)

(b) Pre-IPO share option scheme (Continued)

Number of shares under the option outstanding at the end of the year have the following vesting date and exercise prices:

			Year ended 31 December			
			2023		2022	
Grant Date	**Vesting date**	**Exercise period**	**Exercise price**	**Number of shares under the option**	Exercise price	Number of shares under the option
10 December 2021	8 July 2023	8 July 2023–10 December 2031	**HKD3.90**	**8,698,170**	HKD3.90	10,207,900
10 December 2021	8 July 2024	8 July 2024–10 December 2031	**HKD3.90**	**8,698,170**	HKD3.90	10,207,900
10 December 2021	8 July 2025	8 July 2025–10 December 2031	**HKD3.90**	**11,597,560**	HKD3.90	13,610,600
				28,993,900		34,026,400

29 Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during the year ended 31 December 2023 (2022: nil).

30 Convertible preferred shares

The convertible preferred shares issued before the Listing have embedded derivatives for the conversion feature. The entire preferred shares are recognised as financial liabilities at FVTPL. The difference between the carrying amount of the financial liabilities at FVTPL as of 31 December 2021 and their fair value as of the Listing date was recorded in the profit or loss during 2022.

All preferred shares were converted to ordinary shares immediately prior to the completion of the Listing. The financial liabilities at FVTPL related to the preferred shares were derecognised and credited to equity on the Listing date.

The movements of refundable preferred shares for the year ended 31 December 2022 were set out below:

	Refundable preferred shares RMB'000
As at 1 January 2022	1,361,749
Fair value loss	1,210,894
Currency translation differences	92,043
Transfer to equity	(2,664,686)
As at 31 December 2022	—

31 Borrowings

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Bank borrowings	**15,571**	18,000
Less: Bank borrowings due within one year	**(3,893)**	(18,000)
Bank borrowings — long term	**11,678**	—

(a) The weighted average effective interest rates as at 31 December 2023 was 3.52% (2022: 3.33%).

(b) The fair values of borrowings are not materially different from their carrying amounts as the borrowings are of a short-term nature.

(c) As at 31 December 2023, the bank borrowings were secured by the Group's equity interest in one subsidiary of RMB25,960,000.

(d) As at 31 December 2023, the Group had unutilised bank facility of RMB490,000,000 (2022: RMB191,000,000).

32 Lease liabilities

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Lease liabilities		
— Current	**4,063**	7,403
— Non-current	**367**	3,575
Total lease liabilities	**4,430**	10,978

32 Lease liabilities (Continued)

As at 31 December 2023 and 2022, the Group's lease liabilities were repayable as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 1 year	**4,063**	7,403
Between 1 and 2 years	**367**	3,208
Between 2 and 5 years	**—**	367
	4,430	10,978

The weighted average incremental borrowing rate applied to lease liabilities was 5.7% in both 2022 and 2023.

33 Trade and other payables

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables	**3,447**	1,131
Staff salaries and welfare payables	**15,207**	24,190
Other tax payables	**4,252**	6,271
Payables for service suppliers	**1,117**	3,231
Other accrued expenses	**5,006**	4,406
	29,029	39,229

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 1 year	**3,447**	1,131

33 Trade and other payables (Continued)

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
— RMB	**19,785**	22,861
— HKD	**9,244**	16,368
	29,029	39,229

34 Cash flow information

(a) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Net book value (Note 14)	**84**	172
Losses on disposal of property, plant and equipment (Note 10)	**(11)**	(15)
Proceeds from the disposal	**73**	157

34 Cash flow information (Continued)

(b) Changes in liabilities from financing activities:

	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	**18,000**	**10,978**	**28,978**
Cash flows	**(3,618)**	**(12,264)**	**(15,882)**
Other non-cash movements			
— Acquisition of a subsidiary	**250**	**—**	**250**
— Accrued interest expense	**939**	**370**	**1,307**
— Addition of right-of-use assets	**—**	**5,346**	**5,346**
At 31 December 2023	**15,571**	**4,430**	**20,001**

	Borrowings RMB'000	Lease liabilities RMB'000	Financial liabilities at FVTPL RMB'000	Total RMB'000
At 1 January 2022	—	16,679	1,361,749	1,378,428
Cash flows	17,865	(6,602)	—	11,263
Other non-cash movements				
— Accrued interest expense	135	625	—	760
— Addition of right-of-use assets	—	1,514	—	1,514
— Modification of lease contracts	—	(1,238)	—	(1,238)
— Fair value loss on financial liabilities at FVTPL	—	—	1,210,894	1,210,894
— Conversion of financial liabilities at FVTPL to ordinary shares	—	—	(2,664,686)	(2,664,686)
— Currency translation differences	—	—	92,043	92,043
At 31 December 2022	18,000	10,978	—	28,978

35 Acquisition of a subsidiary

On 1 March 2023, the Group entered into an investment agreement ("the Agreement") with Qingdao Yaoshuntong Trading Limited Company ("Qingdao Yaoshuntong") and Mr. He Zhibo (the "Beneficial Owner"). Pursuant to the Agreement, the Group has conditionally agreed to (i) acquire 57% of the registered capital of Tianjin Yuehekang Biotechnology Co., Ltd ("Tianjin Yuehekang"), a company engaging in the research and development, production and marketing of in vitro diagnostic reagents,, at the consideration in the amount of RMB15,960,000; (ii) subscribe for the increased registered capital, which represents 11.32% of the total registered capital of Tianjin Yuehekang on a fully-diluted basis as enlarged by the investment, at the consideration in the amount of RMB10,000,000.

35 Acquisition of a subsidiary (Continued)

On 23 March 2023, the Group completed the acquisition of 68.32% of the registered capital of Tianjin Yuehekang for total consideration of RMB25,960,000. The acquisition is expected to improve the Group's product layout and help the Group to seize more market opportunities for in vitro diagnostic products in the cardiovascular field and generate more revenue to the Group. The acquisition has been accounted for as acquisition of business using the acquisition method.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Total purchase consideration	25,960

The fair value of assets acquired and liabilities assumed as at the acquisition date are as follows:

	RMB'000
Cash and cash equivalents	2,073
Property, plant and equipment	275
Intangible assets — customer relationship and technology (Note 15)	5,900
Trade and other receivables	4,023
Inventory	1,440
Other assets	9,398
Contract liability	(260)
Deferred tax liability	(295)
Other liabilities	(2,986)
Net identifiable assets acquired	19,568
Less: non-controlling interests	(6,199)
Add: goodwill	12,591
	25,960

The goodwill is attributable to business prospects of the acquired business. None of the goodwill is expected to be deductible for tax purposes. See note 16 above for the changes in goodwill as a result of the acquisition.

The fair value of the acquired customer relationship and technology is RMB3,000,000 and RMB2,900,000 (Note 15). Deferred income tax liabilities of RMB295,000 has been provided in relation to these fair value adjustments.

35 Acquisition of a subsidiary (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(25,960)
Cash and bank balances acquired	2,073
Registered capital injection into the subsidiary	10,000
Net cash outflow on investing activities	(13,887)

(a) Acquisition-related costs

Acquisition-related costs amounting to RMB30,000 are included in administrative expenses in profit or loss.

(b) Contingent consideration

Pursuant the Agreement, the Group could claim cash compensation from Qingdao Yaoshuntong and the Beneficial Owner if Tianjin Yuehekang fail to achieve guaranteed revenue and/or guaranteed profit during the years from 2023 to 2025.

As at 31 December 2023, no financial asset at fair value through profit or loss was recognised for the contingent consideration arrangement as the Group considered Tianjin Yuehekang was able to achieve their targets of adjusted revenue and/or profit during the years from 2023 to 2025.

(c) Acquired receivables

The fair values of its trade and other receivables as at the date of acquisition amounted RMB4,023,000, which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

(d) Revenue and profit contribution 31 December 2023

The acquired business contributed revenues of RMB6,608,000 and net loss of RMB3,901,000 to the Group for the period from 23 March 2023 to 31 December 2023. If the acquisition had occurred on 1 January 2023, consolidated revenue and consolidated net loss for the year ended 31 December 2023 would have been RMB75,906,000 and RMB118,681,000 respectively.

36 Commitments

Capital expenditures contracted for at 31 December 2023 and 2022, but not yet incurred are as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Property, plant and equipment	**356,041**	11,350

37 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) Name and relationship with related parties

Name of related parties	Nature of relationship
Ms. Gu Yang	Shareholder and director of the Company
Mr. Zhou Chang	Key management

(b) Transactions with related parties

(i) Loans to a related party

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Non-trade		
Mr. Zhou Chang	—	2,000

(ii) Amounts repaid to a related party

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Non-trade		
Ms. Gu Yang	—	10

(iii) Repayment of loans from a related party

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Non-trade		
Mr. Zhou Chang	**2,000**	—

37 Related party transactions (Continued)

(c) Balances with related parties

(i) Loans to a related party

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Non-trade		
Mr. Zhou Chang	**—**	2,000

The amounts due from a related party were unsecured, non-trade in nature, interest-free, repayable on demand and denominated in RMB. The amounts due from Mr. Zhou Chang have been fully settled in September 2023.

(d) Key management compensation

Key management includes chairman, directors and senior management of the Group.

The compensation paid or payable to the key management during the years ended 31 December 2022 and 2023, excluding those paid to the executive and non-executive directors which has been disclosed in Note 8, was shown as below.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, wages and bonuses	**7,496**	8,101
Contributions to pension plans	**138**	134
Housing fund, medical insurance and other social insurance	**175**	136
Share-based compensation expenses	**1,712**	2,234
	9,521	10,605

(All amounts expressed in RMB unless otherwise stated)

38 Subsidiaries

Particulars of subsidiaries of the Group at 31 December 2023 and 2022 are set out below.

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Registered/ Issued share capital	Ownership interest held by the Group 2023 %	2022 %
Directly owned					
Rianmed BVI Limited	BVI, limited liability company	Investment holding, BVI	USD 50,000	**100%**	100%
Indirectly owned				**100%**	100%
Hong Kong Rainmed Medical Limited	Hong Kong, limited liability company	Investment holding, Hong Kong	HKD500,000,000	**100%**	100%
Suzhou Rainmed Robot Limited	PRC, limited liability company	Manufacturing, Mainland China	USD 6,000,000	**100%**	100%
Suzhou RainMed Intelligent Technology Development Ltd.	PRC, limited liability company	R&D, Mainland China	USD 250,000	**100%**	100%
Suzhou Rainmed	PRC, limited liability company	R&D, manufacturing, and marketing of medical instrument, Mainland China	HKD 299,227,697	**100%**	100%
Beijing Runxin Medical Technology Company Limited	PRC, limited liability company	Marketing of medical instrument, Mainland China	RMB1,000,000	**100%**	100%
Rainmed Medical Inc.	United States, limited liability company	Marketing of medical instrument, United States	USD 1,000	**100%**	100%
Tianjin Yuehekang	PRC, limited liability company	R&D, manufacturing, and R&D, manufacturing, and marketing of Biological reagents, Mainland China	RMB31,214,000	**68.32%**	—
Tianjin Daochen	PRC, limited liability company	Marketing of Biological reagents, Mainland China	RMB3,000,000	**68.32%**	—

38 Subsidiaries (Continued)

Cash and cash equivalents of approximately RMB123,845,000 (2022: RMB87,477,000) are held in China and are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

Tianjin Yuehekang and Tianjin Daochen were acquired during the year ended 31 December 2023.

39 Non-controlling interests

	Share of net assets of subsidiaries
	RMB'000
At 1 January 2022, 31 December 2022 and 1 January 2023	—
Non-controlling interests arising on acquisition of a subsidiary (Note 35)	6,199
Share of loss for the year	(1,236)
At 31 December 2023	4,963

40 Statement of financial position and reserve movement of the Company

	As at 31 December	
	2023 **RMB'000**	2022 RMB'000
ASSETS		
Non-current assets		
Prepayments	**325**	1,572
Investment in subsidiaries	**397,008**	384,168
	397,333	385,740
Current assets		
Prepayments	**1,516**	1,617
Amounts due from subsidiaries (note (a))	**276,161**	992
Financial assets at fair value through profit or loss	**135,647**	132,645
Bank deposits with the maturity over three months	**—**	278,584
Cash and cash equivalents	**7,380**	3,138
	420,704	416,976
Total assets	**818,037**	802,716
EQUITY		
Share capital	**100**	100
Other reserves	**805,056**	780,753
Total equity	**805,156**	780,853

40 Statement of financial position and reserve movement of the Company (Continued)

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
LIABILITIES		
Current liabilities		
Other payables	**1,241**	10,389
Amounts due to subsidiaries (note (a))	**11,640**	11,474
	12,881	21,863
Total liabilities	**12,881**	21,863
Total equity and liabilities	**818,037**	802,716

Note (a): Amounts due from/to subsidiaries are non-trade nature, unsecured, interest-free and repayable within 1 year or on demand.

	Share premium	Share-based compensation reserve	Foreign currency translation reserve	Merger reserves	Accu-mulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	**2,786,829**	**14,130**	**(18,226)**	**(419,462)**	**(1,582,518)**	**780,753**
Profit for the year	**—**	**—**	**—**	**—**	**5,680**	**5,680**
Share-based compensation expense	**—**	**7,476**	**—**	**—**	**—**	**7,476**
Currency translation differences	**—**	**—**	**11,147**	**—**	**—**	**11,147**
At 31 December 2023	**2,786,829**	**21,606**	**(7,079)**	**(419,462)**	**(1,576,838)**	**805,056**
At 1 January 2022	—	726	11,816	(419,462)	(334,918)	(741,838)
Loss for the year	—	—	—	—	(1,247,600)	(1,247,600)
Shares issued pursuant to Capitalisation Issue	(96)	—	—	—	—	(96)
Shares issued upon global offering and over-allotment	109,240	—	—	—	—	109,240
Conversion of preferred shares to ordinary shares upon global offering	2,677,685	—	—	—	—	2,677,685
Share-based compensation expense	—	13,404	—	—	—	13,404
Currency translation differences	—	—	(30,042)	—	—	(30,042)
At 31 December 2022	2,786,829	14,130	(18,226)	(419,462)	(1,582,518)	780,753

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out below:

	For the year ended December 31,			
	2023 (RMB'000)	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)
Operating Results				
Revenue	**73,219**	83,604	81,199	6,097
Gross profit	**48,553**	69,824	69,032	5,260
Operating loss	**(128,184)**	(143,254)	(142,778)	(32,359)
Loss before income tax	**(117,088)**	(1,351,413)	(638,689)	(150,958)
Loss for the year and attributable to shareholders of the Company	**(115,830)**	(1,345,963)	(633,645)	(145,240)
Total comprehensive loss for the year and attributable to shareholders of the Company	**(111,063)**	(1,394,212)	(618,576)	(145,240)
Adjusted non-HKFRS loss attributable to shareholders of the Company	**(108,300)**	(100,900)	(51,700)	(26,990)

	As at December 31,			
	2023 (RMB'000)	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000)
Financial Position				
Non-current assets	**204,093**	86,897	64,547	32,151
Current assets	**369,215**	603,433	575,645	38,371
Total assets	**573,308**	690,330	640,192	70,522
Non-current liabilities	**12,314**	3,575	1,370,609	238,478
Current liabilities	**40,982**	68,119	44,067	52,985
Total liabilities	**53,296**	71,694	1,414,676	291,463
Total equity/(deficit)	**520,012**	618,636	(774,484)	(220,941)

DEFINITIONS

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

"AGM"	the 2023 annual general meeting of the Company to be held on Friday, June 28, 2024
"Articles of Association"	the third amended and restated memorandum and articles of association of our Company adopted on June 18, 2022 and with effect from the Listing Date
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors
"BVI"	the British Virgin Islands
"CAD"	coronary artery diseases, a condition where the major blood vessels supplying the heart are narrowed to reduce blood flow that can cause chest pain and shortness of breath
"caFFR"	coronary angiography-derived fractional flow reserve, a novel less-invasive index to determine the FFR in patients with stable or unstable angina
"CAG"	coronary angiography, a percutaneous procedure that uses contrast dye and X-ray images to detect coronary artery diseases
"caIMR"	coronary angiography-derived index of microvascular resistance, which is proposed for physiological assessment of microvascular diseases in coronary circulation
"CE Mark"	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"CG Code" or "Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company", "our Company" or "Rainmed Medical"	Rainmed Medical Limited (潤邁德醫療有限公司), an exempted company with limited liability incorporated in the Cayman Islands on April 9, 2021
"confirmatory clinical trial"	a controlled clinical trial of a medical device product designed to demonstrate statistically significant clinical efficacy and safety of such product as used in human patients (in conjunction with the performance of a therapeutic procedure), for regulatory approval of such product
"Core Product"	has the meaning ascribed thereto in Chapter 18A of the Listing Rules, which, for purposes of this report, refers to each of our caFFR system and caIMR system
"CRO"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contractual basis
"Director(s)"	the director(s) of the Company
"FFR"	fractional flow reserve, a technique used in coronary catheterization to measure pressure differences across a coronary artery stenosis at maximal hyperemia to determine the likelihood that the stenosis impedes oxygen delivery to the heart muscle and diagnose myocardial ischemia
"Global Offering"	has the meaning as ascribed to it under the Prospectus
"GMP"	good manufacturing practice, the quality assurance that ensures that medical products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Group", "our Group", "we", "us", "our" or "Rainmed Medical Group"	our Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HFpEF"	heart failure with preserved ejection fraction, a condition which occurs when the lower left chamber (left ventricle) is not able to fill properly with blood during the diastolic (filling) phase and the amount of blood pumped out to the body is less than normal
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IMR"	index of microcirculatory resistance, the quantitative assessment of the minimum microcirculatory resistance in a target coronary arteriolar territory
"IVD"	in vitro diagnosis
"KOL(s)"	key opinion leader(s), renowned physicians who are able to influence their peers' medical practice
"Listing Date"	July 8, 2022, on which the Shares were listed and dealings in the Shares were first permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"NMPA"	National Medical Products Administration of the PRC (國家藥品監督管理局), the successor to the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board
"NSTEMI"	non-ST segment elevation myocardial infarction, a heart attack that occurs without ST segment elevation on the electrocardiogram
"Over-allotment Option"	has the meaning as ascribed to it under the Prospectus
"PCI"	percutaneous coronary intervention, a percutaneous procedure to open a narrowed or blocked coronary artery and restore arterial blood flow to heart tissue that does not involve open-chest surgery

"PCT"	the Patent Cooperation Treaty
"Preferred Shares"	has the meaning as ascribed to it under the Prospectus
"Pre-IPO Share Option Scheme"	the share option scheme adopted by our Company on December 10, 2021
"Prospectus"	the prospectus of the Company dated June 27, 2022, in relation to the Global Offering
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Series Angel-1 Preferred Shares"	the series angel-1 preferred share of our Company with a par value of HK$0.0001 each
"Series Angel-2 Preferred Shares"	the series angel-2 preferred share of our Company with a par value of HK$0.0001 each
"Series A Preferred Shares"	the series A preferred share of our Company with a par value of HK$0.0001 each
"Series A+ Preferred Shares"	the series A+ preferred share of our Company with a par value of HK$0.0001 each
"Series B Preferred Shares"	the series B preferred share of our Company with a par value of HK$0.0001 each
"Series C-1 Preferred Shares"	the series C-1 preferred share of our Company with a par value of HK$0.0001 each
"Series C-2 Preferred Shares"	the series C-2 preferred share of our Company with a par value of HK$0.0001 each
"Series D Preferred Shares"	the series D preferred share of our Company with a par value of HK$0.0001 each
"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)"	ordinary share(s) with nominal value of HK$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SMO"	site management organization, an organization that provides clinical trial related services to medical device companies
"sq.m."	square meter, a unit of area
"STEMI"	ST segment elevation myocardial infarction, which occurs due to occlusion of one or more coronary arteries, causing transmural myocardial ischemia
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suzhou Rainmed"	Suzhou Rainmed Medical Technology Co., Ltd. (蘇州潤邁德醫療科技有限公司), a limited liability company incorporated under the laws of PRC on December 5, 2016, being a wholly-owned subsidiary of our Company
"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"USD"	United States dollars, the lawful currency of the United States
"%"	per cent

Note: The English translation of Chinese names of entities included in this annual report is prepared for identification purpose only.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2023

Contents

I. ABOUT THE REPORT

1. Introduction to the Report

This environmental, social and governance ("**ESG**") report is the first ESG report issued by Rainmed Medical Limited (the "**Company**" or "**Rainmed**"), which comprehensively explains Rainmed's practice performance in environmental, social and governance areas in 2023.

2. Reporting Scope and Boundary

Unless otherwise stated, the Report covers the Company and its wholly-owned subsidiaries. The policies and data provided in the Report have the same scope as the organizational scope included in the Company's annual financial report for the same period.

The Report covers the period from January 1, 2023 to December 31, 2023 (the "**Year**" or the "**Reporting Period**"). As indicated, certain related information may extend beyond the Reporting Period.

3. Report Preparation Standards

The Report has been prepared in strict compliance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") set out in Appendix C2 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

4. Reporting Principles

The Report is based on the principles of materiality, quantitative, balance and consistency set out in the ESG Guide, and takes these principles into account in the preparation process to ensure that the report provides clear, quantifiable and comparable information on the ESG issues of concern to stakeholders.

Reporting principles	Definitions	Responses from the Company
Materiality	The issues covered in the Report should reflect the significant impacts of the Company on the economy, environment and society, or the extent to which they influence stakeholders' judgments and decisions.	Through continuous communication with stakeholders, combined with the Company's strategic development and business operations, existing material ESG issues have been identified and the Company's ESG risks and responses have been disclosed.
Quantitative	The Report should disclose key performance indicators in a measurable way.	The Company disclosed its environmental and social performance indicators quantitatively and provided textual explanations for quantitative information.
Balance	The report should reflect the Company's overall ESG performance in an unbiased manner.	The Company has detailed the ESG issues that have a material impact on its business, including the results it has achieved and the challenges it faces.
Consistency	The Company should use consistent information disclosure principles for the Report.	The Company will ensure that the scope of disclosure and reporting methods in the Report for the Year are generally consistent with those in subsequent years, so that stakeholders can compare the Company's performance.

5. Sources of Information and Data in the Report

In the event of any discrepancy between the financial information contained in the Report and that contained in the Company's annual financial reports, the financial information contained in the Company's annual financial reports shall prevail. Other data are derived from the Company's internal statistics. The monetary amounts involved in the Report are measured in Renminbi, unless otherwise indicated. The Company undertakes that the Report does not contain any false or misleading statements and guarantees the truthfulness, accuracy and completeness of its contents.

6. Publication Method of the Report

The Report is available to readers in both Chinese and English and is published in electronic form. You can access the electronic version on the Company's official website (www.rainmed.com) and on the Stock Exchange's website (www.hkexnews.hk). If you have any questions or comments on the Report and its contents, please contact the Company using the information below.

Address: Building 31, Northeast District, No. 99, Jinji Lake Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, PRC
Telephone: 0512-62622215
Email: market@rainmed.com

II. ABOUT THE COMPANY

1. Mission and Values

Provide precision medical care to serve the health of all people

2. Annual Key ESG Performance

Product responsibility

R&D expenses
RMB**41.3**
million

Research projects
17

Total patents applied
320+

Environmental and social responsibility

Total purchases of anhydrous ethanol and 75% alcohol increased by **17%**

Percentage of female executives
27.78%

Water saving rate of water pipe renovation project **25%**

Employee training rate **100%**

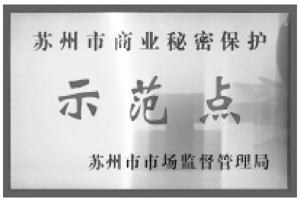
Number of work-related casualties
0

Average length of employee training
10 hours

3. Honours and Recognition

As a down-to-earth and innovative enterprise, the Company strives to continuously create value for customers and society through technology upgrades and service improvements, and has received awards and recognition from government agencies, industry organizations, and media platforms.

Awards/honours received in 2023	Issuing institution	Date of issue
First Batch of Demonstration Entities in Suzhou for Trade Secrets Protection	Suzhou Administration for Market Regulation	February 2023
Premier Solution for the 2nd "Golden Ruyi Award" in Healthcare	Healthcare sector	June 2023
"2022–2023 Most Influential List in the Medical Sector of China — Pioneering Enterprise of Independent Innovation in Medicine"	Pharmaceutical Chamber of Commerce of All-China Federation of Industry and Commerce	July 2023
"2022–2023 Most Influential List in the Medical Sector of China — Law-abiding Enterprise of integrity"	Pharmaceutical Chamber of Commerce of All-China Federation of Industry and Commerce	July 2023
TOP100 Innovative Medical Device in 2023 of vbdata.cn	vbdata.cn	August 2023
Project of "caFFR system for analysis and monitoring" selected as Top 10 achievements of "2012–2022 First Lauch Projects"	Health Commission of Beijing Municipality	September 2023
Outstanding Solution for "2023 Premier Solutions in Digital Healthcare • Golden Ruyi Award"	Healthcare sector	November 2023
8th "Most Valuable Pharmaceutical & Medical Company" as selected by listed companies by Zhitong Caijing	Zhitong Caijing	December 2023
Top 10 Enterprise with Investment Value in China's Healthcare Industry in 2023	EqualOcean Healthcare	December 2023
Guruclub's "8th Golden Grid Award-Social Responsibility of the Year"	Guruclub	December 2023
VBrokers's 2023 Best Investor Relations Award	VBrokers	December 2023



First Batch of Demonstration Entities in Suzhou for Trade Secrets Protection

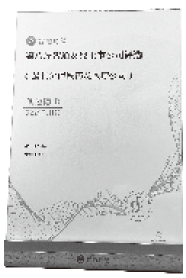
Law-abiding Enterprise of Integrity


Pioneering Enterprise of Independent Innovation in Medicine

Premier Solution of the "Golden Ruyi Award"

2012–2022 First Lauch Projects

Outstanding Solution of "Golden Ruyi Award"


"Most Valuable Pharmaceutical & Medical Company" by Zhitong Caijing


Guruclub's "Golden Grid Award — Social Responsibility of the Year"

VBrokers' 2023 Best Investor Relations Award

Top 10 Enterprise with Investment Value in China's Healthcare Industry

TOP 100 Innovative Medical Device

III. SUSTAINABLE DEVELOPMENT MANAGEMENT

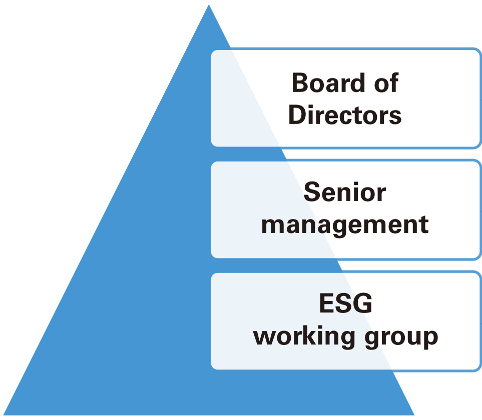
Rainmed integrates the concept of sustainable development into its daily operations and management decisions, establishes a sound sustainable development management system, monitors and manages the potential impacts of its business development and daily operations on society and the environment in a timely manner, so as to achieve its long-term and stable development. In order to strengthen the identification and management of ESG risks, the Company has established a top-down framework for sustainable development and defined the relevant roles and responsibilities at all levels. Meanwhile, the Company actively listens to and responds to stakeholders' demands and expectations for its sustainable development, actively fulfills its corporate social and environmental responsibilities, and pursues the balanced development of environmental, social, and economic benefits.

1. Statement of the Board of Directors

As the most senior body responsible for the management and disclosure of Rainmed's ESG matters, Rainmed's Board of Directors takes full responsibility for Rainmed's ESG management policy, ESG strategy, ESG target setting, progress review and ESG performance. The Directors are informed of and discuss the annual progress of ESG work through Board meetings and other channels, review and approve the Company's sustainable development goals, monitor and review the Company's ESG policies, management, performance and progress toward goals, and review and approve public disclosure of the Company's performance on ESG matters.

2. Sustainable Development Framework

Based on its development needs and ESG management status, Rainmed has established a top-down three-tier ESG governance framework as a governance support for sustainable development, integrating ESG strategy into its daily business activities. As the ultimate governance body, the Board of Directors oversees and manages ESG matters with the support of senior management. The ESG working group, which includes representatives from various functional departments, is responsible for the implementation of specific ESG work and ensures that the Board of Directors and senior management of the Company are aware of the implementation of ESG risk management, the ESG objectives, the ESG work plan and other related matters.



Board of Directors

Responsible for assessing the Company's ESG-related risks, ensuring that appropriate and effective risk management and internal control systems for risk assessment are in place, and reviewing and formally approving the annual ESG reports.

Senior management

Composed of executives, who is responsible for taking the lead in leading the ESG working group to formulate relevant strategies, objectives and management guidelines for the ESG, allocating resources to ensure the effective operation of the risk management of the ESG, assisting the Board of Directors in overseeing the implementation of the ESG, and report to the Board of Directors on a regular basis.

ESG working group

ESG working group formed by representatives of the relevant ESG departments under the leadership of the general manager office, is responsible for promoting the specific work of ESG management, arranging persons in charge to collect statistics on relevant performance indicators and data on a regular basis, and reporting and providing feedback to the management on a regular basis.

Three-level ESG governance structure

3. Stakeholder Engagement

Rainmed attaches great importance to communication with stakeholders and actively establishes a diversified communication mechanism. Through communication methods such as online and offline meetings, interviews, opinion surveys and site visits, it fully listens to and actively responds to feedback from stakeholders. The Company regards the concerns and expectations of stakeholdsers as an important reference for promoting its sustainable development, and continuously optimizes its ESG management decisions. Meanwhile, it responds to the concerns of stakeholders through the Report and works with stakeholders to jointly promote its high-quality sustainable development.

Stakeholders	Issues of concern	Communication methods
Government and regulatory bodies	Compliant operation Anti-corruption Product safety and quality	Institution visits Official correspondence Policy implementation Information disclosure
Shareholders and investors	Corporate governance Technologies and innovations Intellectual property rights	Information disclosure Shareholders' meetings Visitor reception Roadshows
Customers	Product safety and quality Protection of the rights and interests of customers Responsible marketing Information security	Customer research Satisfaction surveys Complaint channels
Employees	Employees' rights and interests Compensation and benefits Talent development Occupational health and safety	Employee satisfaction surveys Employee training Internal announcements and emails Care for employees
Suppliers and partners	Business ethics Product safety and quality Sustainable supply chain	Supplier evaluation Supplier communication and training
Public	Inclusive medical care Community contribution	Volunteer activities Public service

4. Materiality Assessment

During the Year, Rainmed engaged in continuous and effective communication with stakeholders to understand and identify ESG issues of concern to stakeholders. In accordance with the requirements of the Stock Exchange's ESG Guide and based on the two dimensions of "materiality to Rainmed" and "materiality to stakeholders", Rainmed identified and ranked the material ESG issues that have a significant impact on the Company and its stakeholders. The results of the materiality analysis will be used as a reference for reporting information disclosure and subsequent ESG-related work.

1. Identification of issues

- Identify ESG issues relevant to the Company based on its business development, with reference to the ESG management priorities for the industry and in conjunction with the ESG Guide issued by the Stock Exchange.

2. Survey of issues

- Use interviews and satisfaction surveys to understand the focus of key internal and external stakeholders on ESG issues in the Company.

3. Prioritization of issues

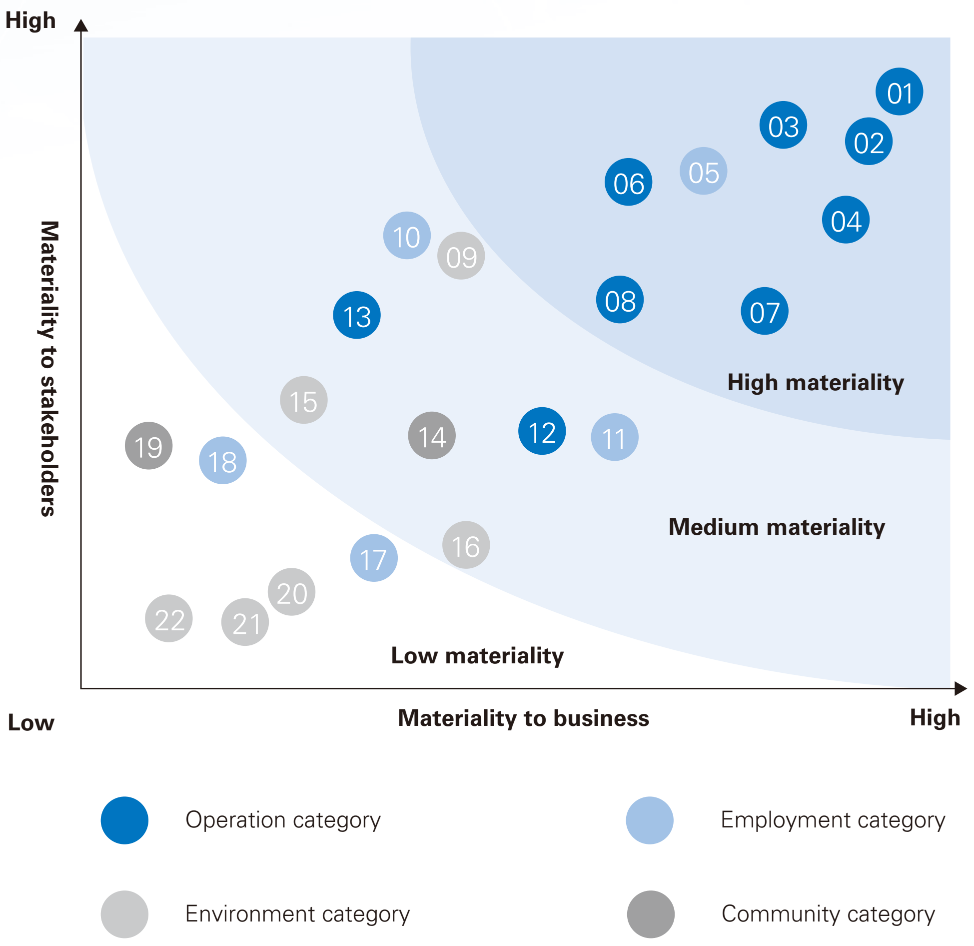
- Conduct analysis based on survey results, create a materiality assessment matrix and prioritize ESG issues.

4. Validation and assessment

- The results of the materiality assessment are discussed by management and reported to the Board of Directors, which ultimately determines the materiality of each ESG issue.

Steps for materiality assessment

The results of materiality issue assessment for the Year are as follows:



Operation	1	Product safety and quality
	2	Product innovation and R&D
	3	Compliant operation
	4	Protection of intellectual property rights
	6	Customer service management
	7	Information security and privacy protection
	8	Responsible marketing
	12	Business ethics and anti-corruption
	13	Sustainable development of supply chain
Employment	5	Staff development and training
	10	Staff health and safety
	11	Employee rights and benefits
	17	Employment compliance
	18	Diversity and equal opportunity
Environment	9	Emissions management
	15	Greenhouse gas emissions
	16	Respond to climate change
	20	Use of energy
	21	Use of water resources
	22	Packaging materials and management
Community	14	Inclusive care/accessibility
	19	Social welfare

IV. PRODUCT RESPONSIBILITY: INNOVATION-DRIVEN, QUALITY SERVICE

As an independent innovative company in the PRC, Rainmed adheres to the corporate mission of "Targeted Medical Services for People's Health", conducts in-depth research and innovation based on clinical needs, and collaborates with industry partners to promote the development of vascular disease diagnosis and treatment. In addition, the Company has established a strict total quality management system, focuses on improving the quality of customer service, implements responsible marketing, and is committed to providing customers with quality products and services.

1. Product R&D and Innovation

Rainmed insists on independent, clinical-based R&D to build a strong core competitiveness. In order to meet the demand for high quality products, it invests substantial R&D funds and strives to create the world's leading innovative medical products. Driven by customer needs, the Company harnesses the power of innovative technology to meet the ever-changing treatment needs of clinical scenarios, bringing life science and technology to the public and making medical care accessible.

1) R&D achievements

Focusing on the field of precision diagnosis and treatment of cardiovascular diseases, the Company has successfully developed the caFFR System and caIMR System, which both systems include a console and related consumables and has been launched in the market. In addition, the Company has the following products under development, including but not limited to the Flash Robot Vascular Intervention Navigation Operation System, with a total of 17 projects under development.

caFFR System

caFFR System can restore the three-dimensional model of the coronary arterial system based on two angiograms, determine blood flow velocity using the Thrombolysis In Myocardial Infarction (TIMI) framing method, and calculate FFR values by combining real-time aortic pressure and optimized computational fluid dynamics methods. caFFR System has been approved for marketing by the National Medical Products Administration and has received CE mark in the EU in 2019, and TGA mark in Australia in 2022. Overcoming the shortcomings of the traditional imported pressure guidewire and characterized by safety, efficiency, precision and simplicity, it has been widely recognized by domestic and overseas experts, becoming the first exported domestic FFR product.

caFFR System

caIMR System

caIMR is a non-invasive system for the treatment of microcirculatory lesions. Featuring safety, efficiency, precision, simplicity and first-in-class. It was approved for listing by the NMPA in April 2023 and became the first less-invasive IMR system approved for commercialization globally.

caIMR System

Flash Robot for Vascular Intervention Diagnosis and Treatment Operation

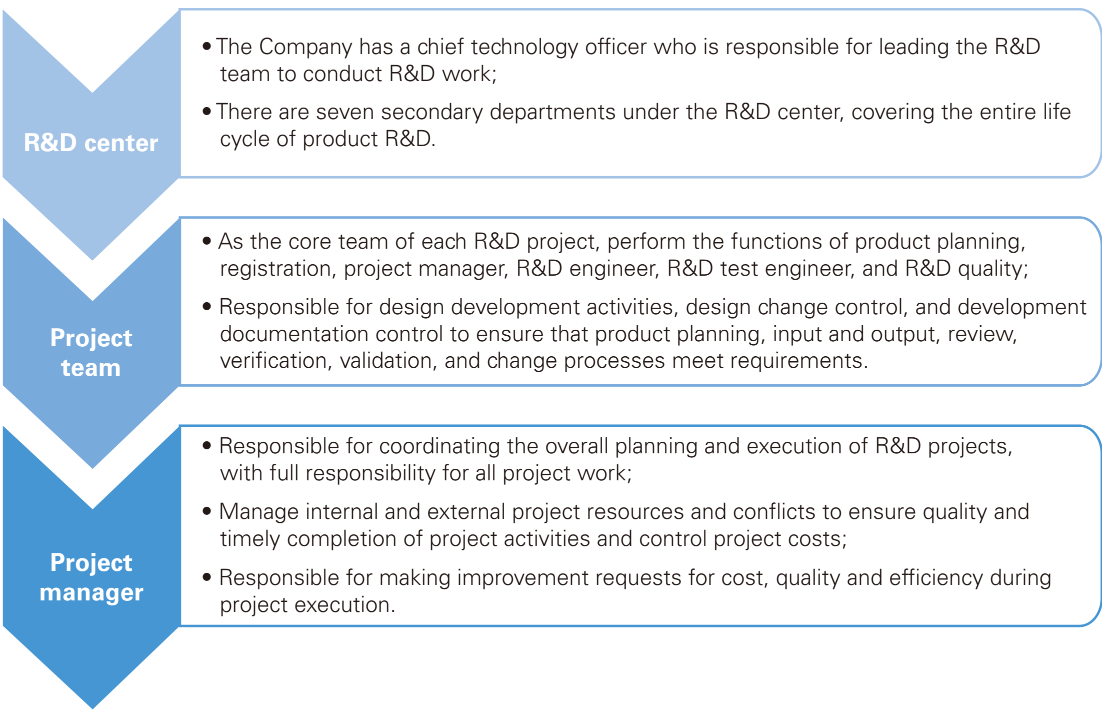
Studies have confirmed that the combination of caFFR System and caIMR System provides a complete functional assessment of the vasculature from the epicardial coronary arteries to the intracardiac microcirculation. In the future, the Company will further explore the synergies of caIMR System and caFFR System. As an important part of the functional diagnostic module, they will be integrated and built into the Flash Robot Vascular Intervention Navigation Operation System to create an integrated solution for diagnosis and treatment in the catheter lab, contributing Chinese wisdom to the development of precision medicine. As of December 31, 2023, the Flash Robot Vascular Intervention Navigation Operation System basically completed the design process stage.

2) R&D management

In accordance with the Good Manufacturing Practice for Medical Devices, ISO13485:2016 standard, US FDA QSR820 (Quality System Regulation) and other industry practices and international standards, the Company has developed a series of internal procedures and established a sound full lifecycle R&D management system, which clarifies the requirements and specifications of R&D project management, project design and development, project process management, and result management to promote the R&D process with high quality and efficiency.

R&D management structure

Following the requirements of the design and development control procedures for the entire product design and development process, the Company clarifies the responsibility system at each level of the R&D center, project team, and project manager, and refines the project work procedures to ensure that R&D project management is scientific and reasonable.



R&D management structure

The Company strictly regulates the entire product design and development process, and controls the planning, input, output, review, verification, validation, conversion and change processes, as well as the design and development documentation for product design and development, to ensure that R&D activities are conducted in a compliant and effective manner. The Company has built a project management system to archive and manage the key nodes and key documents of each R&D project and phase. By connecting it to the Office Automation (OA) system, the Company can obtain information about the positions and responsibilities of employees, assign different document access rights, and track project progress in a timely manner. In addition, the R&D center, through the product planning department, has established an online functional product needs database that quickly imports the needs of front-line users into the design and development process in a timely manner, thereby improving the quality of R&D while meeting clinical needs in a more user-friendly manner.

R&D capability development

Innovation and breakthrough are in Rainmed's genes. The Company insists on clinical application-oriented R&D, and drives innovation and R&D capabilities with patient needs at the core. By building a world-class R&D team, securing and increasing R&D investment, and integrating R&D system resources, the Company is committed to pushing the boundaries of technology, responding to patient needs, and safeguarding people's health.

R&D investments	• In 2023, the Company invested RMB41.3 million in R&D, accounting for 56.4% of its revenue from proprietary products; • The Company strives to expand and improve its product portfolio through reinforced development of new products and improvements to existing products and products under development.
R&D platform building	• Four R&D platforms: the medical imaging algorithm and application R&D platform, the fluid dynamics simulating calculation platform, the high-performance device R&D platform, and the interventional consumables R&D platform; • The platforms are committed to internal development and innovation, capturing market demand and actively exploring various clinical applications of their products.
R&D team building and training	• Composed of talented individuals with extensive experience in medical device and algorithm development, focused on developing innovative products in the field of precision interventional diagnosis and treatment. Currently, Rainmed's R&D team has reached 155 members, accounting for 43.78% of the total number of employees; • Establish an R&D rotation program and arrange special courses to help R&D personnel improve their professional skills.
R&D incentives	• Encourage R&D personnel to innovate and create, and apply for intellectual property rights commensurate with conversion incentives; • Conduct periodic reviews of the posting and grading system, monthly reviews of R&D performance, with the results of the reviews tied to the year-end bonus.

R&D ethics

Rainmed adheres to the general principle of "respect for life and use of animals in a scientific, rational and humane manner" and strictly complies with the Guideline for the Registration and Review of Animal Experiments on Medical Devices and the United States Guide to the Management and Use of Laboratory Animal Diets and other laws and regulations to standardize the development and implementation of animal testing protocols.

- According to the purpose of the test and under the premise of ensuring the test effect and scientific accuracy of the results, the test program is strictly designed according to the "3R" principle of replacement, reduction, and refinement, such as prioritizing the use of 3D vessel models and testing the performance of catheter guidewires in terms of pushing, rotating, and retracting;

- Use in vitro test models or ex vivo tissues and organs whenever possible to design tests and reduce or eliminate the use of live animals, such as the use of ex vivo kidneys for baseline performance testing of RDN catheters;

- In product testing that requires the use of live animals, ensure that the animals have basic rights in five areas: physiological, environmental, health, psychological and behavioral.

3) Industry cooperation and communication

Rainmed attaches great importance to cooperation and communication with industry partners, working with hospitals, experts and industries to achieve cross-border integration, actively participating in industry activities, jointly discussing medical problems and promoting technological innovation in the industry.

Industry cooperation

- In the development of vascular interventional surgery robots, the Company has established close research cooperation with benchmark hospitals such as Peking University First Hospital, Zhongshan Hospital of Fudan University, Fuwai Hospital of Chinese Academy of Medical Sciences and West China Hospital of Sichuan University to further improve the R&D of caFFR and caIMR products, optimize product quality and improve the diagnosis and treatment of cardiovascular diseases for the benefit of more physicians and patients.

- In February 2023, the Company successfully signed a strategic collaboration agreement with SINOMED, a company with its A shares listed on the SSE STAR Market. Both parties will build strong alliance through giving full play to their advantages in R&D as well as academics and marketing, improve the level of scientific research and innovation, promote large-scale clinical research at home and abroad, enhance product awareness, expand marketing network, and achieve precise medical results that benefit patients with cardiovascular diseases around the world.

Signing ceremony

- In July 2023, the Company successfully signed a strategic cooperation agreement with Suzhou Dushu Lake Hospital, a key Class III general hospital in Suzhou. Rainmed has always focused on the independent innovation and R&D of precise diagnosis and treatment products for vascular diseases. Rainmed is committed to promoting the integration of medical and engineering professionals, facilitating the transformation of advanced scientific research results, and has developed a series of innovative functional diagnosis and treatment products with clinical practicality. The signing of such agreement will help Rainmed better focus on clinical practice, develop more innovative diagnosis and treatment products with clinical value and clinical practicality.

Signing ceremony

Industry communication

- On April 22, 2023, Rainmed successfully held the "Recent Progress in Medical Innovations" Coronary Physiology Forum at the 26th China Cardiovascular Intervention Forum (CCIF 2023). In order to promote the diagnostic concepts of coronary physiology assessment and the clinical application of computational coronary physiology indicators, the forum invited renowned experts in the cardiovascular field in China to discuss the latest advancements in the coronary physiology assessment and to explore the application prospects of innovative computational coronary physiology indicators caFFR and caIMR systems. Usage cases were also shared in the forum.

Photos of experts presenting speeches at Rainmed satellite conference at CCIF2023

- On May 27, 2023, Rainmed successfully held the "Recent Progress in Medical Innovations" Coronary Physiology Forum at the 17th Oriental Congress of Cardiology (OCC 2023). The forum invited renowned experts in the cardiovascular field in China to discuss the latest advancements in coronary physiological assessment techniques and showcased the application of innovative coronary microcirculation functional assessment technology caIMR system in daily diagnosis and treatment as well as clinical research, providing new ideas for popularizing the diagnosis and treatment concept of coronary physiology assessment and promoting the clinical application of computational coronary physiology indicators.

Group photo of online conference

- In May 2023, Rainmed teamed up with its strategic partner, SINOMED, to make a stunning appearance at EuroPCR 2023. As special exhibitors of the conference, Rainmed and SINOMED jointly showcased the innovative ideas for precise diagnosis and treatment of coronary diseases with the theme of "Redefine PCI". The powerful combination of domestic cutting-edge coronary functional diagnosis technology and advanced drug-eluting balloon stents breaks through the previous model of relying solely on doctors' experience in diagnosing and treating coronary diseases. It guides reasonable stent implantation through objective assessment indicators and redefines precise diagnosis and treatment of coronary diseases, providing a new paradigm for clinical scientific diagnosis and treatment.


Photos of conference venue

- On June 10, 2023, Rainmed successfully held the "Recent Progress in Medical Innovations" Coronary Physiology Satellite Conference at the 24th South China International Congress of Cardiology (SCC 2023). The conference invited renowned cardiovascular experts in China to discuss the coronary functional technology progress and its clinical applications and showcased the applications of innovative coronary microcirculation functional assessment technology-Rainmed caIMR system in daily diagnosis and treatment as well as clinical scientific research.

Group photo of online conference

On July 1, 2023, at the 21st China Interventional Therapeutics Conference (CIT 2023), Rainmed successfully held the satellite conference "Exploring hints and Comprehensive Diagnosis — Precise Diagnosis and Treatment of Coronary Diseases". The satellite conference invited renowned cardiovascular experts in China to discuss the clinical applications of coronary functional assessment and share views on the development of coronary functional assessment technology, and showcased the applications of innovative coronary functional assessment technology-Rainmed caFFR system and caIMR system in daily diagnosis and treatment to promote the clinical popularization and large-scale application of the concept of coronary physiology assessment diagnosis and treatment.

Group photo of online conference

Industry associations

The Company upholds the concept of openness and inclusiveness. While creating opportunities for academic and industry communication, it actively joins medical device related industry associations and takes the initiative to fulfill its obligations as a member of these associations. As of the end of 2023, the Company has joined associations including China Medical Equipment Association, China Association for Medical Devices Industry, National Association of Health Industry and Enterpnise Management, Yangtze River Delta Quality Special Committee, Suzhou Medical Device Industry Association, Suzhou Senior Health Service Association, Suzhou Industrial Park Science and Technology Enterprise Federation, Suzhou Dushu Lake Alliance and Suzhou Industrial Park Listed Company Association. It actively participates in the activities and trainings organized by the associations, strongly supports the daily activities of the associations, promotes communication and cooperation in the industry, and supports scientific research.

Publication of academic articles

As an independent innovation company, Rainmed attaches great importance to product innovation and academic research. It collaborates with top medical centers at home and abroad, including Zhongshan Hospital of Fudan University, Shanghai Tenth People's Hospital, Peking University First Hospital, Beijing Hospital, The University of Hong Kong-Shenzhen Hospital, Samsung Medical Center in Korea, and University Hospital of Zürich in Switzerland, and has published a total of nearly 60 articles in top medical journals, laying a solid academic foundation for the large-scale clinical application of its products.

In 2023, the Company published a total of 16 SCI papers, of which 13 are SCI papers, including 10 papers were above the level of SCI District II, and 6 papers with an impact factor higher than 5.

2. Product Quality Control

Quality is the key to a healthy business operation. Rainmed strictly implements product quality control, and carries out strict quality control in the design and development, verification, confirmation, production and inspection of products, forming a whole process of quality control. The Company values customer feedback, and has developed a solid after-sales feedback mechanism to promote product upgrade and improvement through professional analysis, meeting review and feedback improvement of multi-channel customer feedback.

1) Quality management system

The Company strictly complies with the Product Quality Law of the PRC, the Regulations for the Supervision and Administration of Medical Devices, the ISO13485:2016 Standard, the EU Medical Device Regulation (Regulation (EU) 2017/745) ("MDR") and other laws and regulations, and continuously improves the development of internal quality management system.

Quality management system certification and audit

During the Reporting Period, the Company improved and extended its existing qualification certifications and actively implemented the annual supervision and audit of the quality management system. As of December 31, 2023, the Company's quality management system has met the following quality regulations and standards:

- Medical device registration certificate and medical device manufacturing license issued by the National Medical Products Administration;
- ISO13485 quality management system certification;
- EU CE certificate for coronary artery analysis system with disposable, sterile blood pressure sensor;
- Medical Device Single Audit Program (MDSAP) certification;
- Brazil INMETRO system certification for coronary artery functional analysis system (FMC21a).


bsi.

Certificate of Registration

QUALITY MANAGEMENT SYSTEM - ISO 13485:2016 & EN ISO 13485:2016

...making excellence a habit.

ISO13485 quality management system certificate


bsi.

EC Certificate - Full Quality Assurance System

Design, Development and Manufacture of Coronary Analysis Systems and Sterile Disposable Blood Pressure Transducers.

EU CE certificate

In 2023, Rainmed received a total of five quality management system audits by government regulators, external and internal auditors, including registration inspection by food and drug regulatory authorities at all levels, annual supervision and audit of the ISO13485, MDSAP, MDD, MDR quality management systems by external institutions as well as the audit of Brazil INMETRO certification by external institutions, with a pass rate of 100%.

Quality management system optimization and upgrading

The Company has developed a set of complete internal quality management system documentation to clarify the process specifications for product development, raw material inspection, production, procurement, transportation, storage, sales and marketing management. Each link must follow strict standardized management procedures, and all operations can be traced, so as to ensure the sound, stable and long-term operation of its quality management system.

The Company's key initiatives to further improve its quality management system in 2023 include, but are not limited to:

- optimizing the management structure of the quality department, adjusting business segments, and strengthening product quality control throughout the product life cycle;

- conducting regular product quality inspection, including raw material inspection, process inspection and finished product inspection, to strictly control the quality standard of each link from product production to delivery;

- building a digital quality data platform to realize the whole process supervision from raw material inspection to customer quality feedback, and accurately recording and timely following up feedback from all parties;

- further increasing investment in production capacity expansion and equipment upgrading, and establishing an industry-leading production system and supply chain system.

Use intelligent management tools to build a world-class production and manufacturing system

With its outstanding diagnostic functions, the Rainmed imaging product series has been confirmed by clinical studies in many countries and widely praised by clinicians, and its market demand grew rapidly. In order to better meet the growing demand for production capacity, the Company has established new production facilities. Breaking through the previous production management mode, the Company carries out electronic, automatic and intelligent improvement for each production link, which greatly improves the level of refined workshop management and lays a solid foundation for achieving a great leap in production capacity.

Rainmed production workshop

Cultivate a high-end quality technical team and build model production facilities in the industry

The senior technical managers of Rainmed's production and quality control team have strong professional skills and years of management experience, bringing advanced management experience and innovative production mode to the Company. Moreover, with strict control in supply chain, manufacturing and quality control system, the Company has created a technical highland in Suzhou and even beyond, which constantly attracts industry peers to visit and study and is highly recognized by the Suzhou Industrial Park Administrative Committee.

Rainmed's intelligent equipment

2) Quality training and culture

The effectiveness of building a culture of quality is one of the key factors in determining the level of management quality in an organization. The Company actively conducts various quality culture activities and regularly invites internal and external experts to provide quality training covering knowledge in the areas of production, quality, engineering, safety, laws and regulations, aiming to further improve employees' awareness of quality and safety.

In 2023, the Company organized 6 special training courses on product quality, safety control and others for the quality control department, details of which are set out below:

Sequence number	Training content	Training department	Trainees	Training Period
1	MDR regulations	Quality Control Department	System Engineer	January 2023
2	YY/T 0033 Sterile medical device production management specifications	Quality Control Department	Quality Engineer Microbiological Engineer	February 2023
3	Basic knowledge on microorganism	Quality Control Department	All employees of the Quality Inspection Department	March 2023
4	Regulations on clean workshop access management	Quality Control Department	All employees of the Quality Inspection Department	April 2023
5	Inspector for medical device sterility	External	Microbiological Inspector Quality Inspector	June 2023
6	Training on monitoring of adverse events	Registration Department	All employees related to the system	August 2023

3) Medical device alerts and recalls

To ensure that product quality risk management is effectively extended to its customers, the Company continues to monitor the use of its sold products to achieve true product lifecycle risk management. The Company has developed internal procedures for the management of medical device alert system in accordance with the Administrative Measures for Monitoring and Re-evaluation of Adverse Events of Medical Devices, the Administrative Measures for Medical Device Recalls, the EU Medical Device Regulation (MDR) and other laws and regulations, which cover the monitoring of adverse events, complaints, reporting, data analysis, processing, risk management processes, and safety corrective actions, in order to achieve continuous monitoring of product quality, timely control and reduction of potential safety risks in product use. The achievements of the Company's medical device alert and recall system include, but are not limited to:

- the Company's medical device adverse event monitoring leading group is responsible for registering with the National Medical Device Adverse Event Monitoring Information System, actively collecting information on adverse events within the prescribed time period, and reporting them to the monitoring authority in a timely manner. If an adverse event occurs, it will be handled according to the appropriate documentation and a non-volume event report will be submitted to the government as required;

- it has developed the Adverse Events and Re-Evaluation Procedures for Medical Devices. Contact information, such as telephone number, mailing address, and e-mail address, shall be published in the product manual or on the website to provide users with an open and viable channel for reporting adverse event;

- it has developed the Alert System Control Procedures. For accidents required to be reported, the reporting shall be completed within the specified period in accordance with the documentation. The Company shall conduct investigations, develop on-site corrective safety actions, communicate them through on-site safety notice, track the implementation of the actions, and prepare and submit a final report;

- it has developed the Medical Device Recall Procedures. For products subject to regulatory recall, the Company shall develop a detailed recall plan in accordance with the documentation, complete the recall process within the specified period, conduct processing, and then report the recall to the regulatory authority.

To date, the Company has not experienced any adverse events or incidents triggering the alert system for its products, nor has it issued any product recalls for safety and health reasons.

In addition, the Company is strengthening internal training related to medical device alerts, organizing adverse event-related training and conducting regular assessments for all employees related to the quality management system, continuously strengthening employees' understanding of concepts and requirements related to medical device alerts, and further improving their awareness of adverse event reporting.

Conduct medical device alert training to improve alert awareness of all employees
In August 2023, the Company's registration department conducted training on medical device adverse events for all employees within the organizational structure of its quality management system, covering related regulatory requirements, the importance of adverse event monitoring and the monitoring of the Company's adverse events. Following the training, all employees took and passed the adverse event monitoring exam.

3. Customer Services

Rainmed pays close attention to customer needs. It strictly complies with laws and regulations, such as the Law of the PRC on the Protection of Consumer Rights and Interests, and has formulated and implemented internal management systems, such as the Service Provision Procedure, the Customer Complaint Handling Procedure and the Medical Device Recall Procedure. It collects customer feedback through various channels and takes corresponding remedial measures to continuously improve the quality of customer service. In addition, the Company has developed a standardized complaint handling mechanism to ensure that customer feedback is resolved in a timely and effective manner to protect the rights and interests of its customers.

1) **Service quality management**

Rainmed has established a sound service quality management system to continuously improve the standardization of service content and process. The Company has a dedicated team to provide customer services. The sales staff of the marketing center and the international marketing department are responsible for communicating with customers and responding to inquiries, while professional technicians are responsible for installation and commissioning, maintenance and repair, training, and other services. Besides, the Company monitors the entire customer service process to ensure service quality and further improve customer satisfaction.

Pre-sales service	Installation and commissioning	Product maintenance	On-site repair	Customer training
• Sales staff will communicate thoroughly with customers through multiple channels to clearly understand customer needs and perform order reviews to ensure that customer needs can be met.	• After a product is sold, the engineers of the technical service department will install and commission the product at the agreed time and place, and the customer will sign for acceptance.	• Technical service personnel will maintain the product in accordance with the maintenance inspection requirements in the instruction manual (including the inspection checklist and inspection frequency) and fill out the maintenance records.	• In case of product failure, customers can communicate with the sales staff or technical service personnel. If a customer requires on-site repair, the engineers of the technical service department will provide on-site repair service at the agreed time and place. The engineers shall maintain on-site repair records and complete service report forms.	• When a customer purchases the Company's products for the first time or purchases new product series, the engineers of the technical service department will train the users. The training is considered effective only after the user passes the evaluation, and the Company will issue a training certificate.

Customer service process

During the Year, the Company conducted a total of 50 end-user satisfaction surveys covering communication skills, work service attitude, problem solving skills and timeliness, and daily maintenance training of technical service engineers, with an overall customer satisfaction rate of 98%.

2) Customer complaint handling

Rainmed has established a sound customer complaint handling system, standardized customer complaint handling process and methods, and clearly defined the management scope and responsibilities of each department in customer complaint handling. The marketing center and the international marketing department are in charge of customer complaint handling, responsible for receiving and summarizing customer complaints and preparing customer complaint reports, and providing real-time feedback to customers on the progress of complaint handling. Other departments assist in the assessment, investigation and resolution of customer complaints. Furthermore, the Company has appointed a customer complaint specialist to handle customer complaints, who is responsible for managing and coordinating customer complaints and implementing the full process management of complaint handling.

Complaint reception	• The Company's sales and technical service personnel are responsible for collecting customer feedback, promptly contacting customers for details, obtaining photos, videos or samples if necessary, completing the Customer Complaint Report and submitting it to the customer complaint specialist.
Complaint assessment	• The customer complaint specialist is responsible for organizing relevant personnel to make a preliminary assessment of the level of the complaint, whether it is a first-time occurrence and whether it needs to be investigated into, which will then be reviewed by the head of the quality department.
Investigation of causes	• For complaints that require investigation, the customer complaint specialist will organize the appropriate personnel to investigate the cause. If a test of the quality department is required, the customer complaint specialist shall complete a customer product test report and the test results will be signed and reviewed by the quality engineers.
Risk assessment	• The customer complaint specialist organizes the relevant departments to conduct risk assessment in accordance with the Corrective and Preventive Measures and Improvement Procedures, and records the assessment results in the Customer Complaint Report, which will be reviewed by the head of the quality department.
Adoption of measures	• The customer complaint specialist organizes the heads of the relevant departments to formulate handling measures and informs the sales staff of the results of the investigation into the cause and the proposed measures, and the sales staff notifies the customer of the same.
Implementation tracking	• The relevant departments implement the prescribed actions, and the customer complaint specialist tracks the progress of completion to confirm that the customer is satisfied with the results.
Complaint closure	• A complaint will be closed after it has been confirmed that the customer is satisfied with the outcome of the complaint handling, or if no response is received from the customer within one week. The customer complaint specialist is responsible for recording the results of customer feedback in the Customer Complaint Report.

Complaint handling process

During the Year, the Company received 99 customer complaints, and the related problems were properly handled by the engineers of the technical service department through on-site troubleshooting or guidance on customer operation, with a resolution rate of 100%.

4. Responsible Marketing

Rainmed strictly complies with the Advertising Law of the PRC, the Interim Measures for the Examination and Administration of Advertisements for Drugs, Medical Devices, Health Foods and Food Formulas for Special Medical Purposes, and other laws and regulations. It applies to the market supervision and drug administration departments of the provincial people's government of the place where it operates for approval of medical device advertising, and eliminates false and exaggerated propaganda. In order to further ensure the authenticity and compliance of its marketing, the Company has developed a standardized review mechanism for its marketing materials. The legal department is responsible for reviewing the contents of relevant advertisements and related approval documents, which may not be released until the information contained therein is confirmed as accurate.

In addition, the Company further strengthened the responsible marketing management of distributors by formulating and implementing internal systems such as the Management System for Distributors of Products for Domestic Sale, and signing the Distribution Cooperation Agreement for Products for Domestic Sale before cooperating with qualified distributors to regulate and supervise their marketing activities, which stipulates that the promotional materials issued by the distributors shall be provided by the Company to ensure the compliance of the marketing activities conducted by the distributors.

During the Reporting Period, the Company conducted responsible marketing training for sales staff and distributors, and regulated external advertising and promotional activities, in order to improve sales staff's knowledge and ability to operate products, which will reduce the Company's compliance risk while providing better services to customers.

Training for responsible marketing

In 2023, the Company held a total of 13 offline training sessions for its sales staff and external staff, and it trained 49 distributors and medical staff and 46 sales staff. The Company also held a total of 11 internal online training sessions with the department, within which all employees participated. Training content includes caIMR, troubleshooting, manual explanation, and on-site experience sharing.

V. OPERATION RESPONSIBILITY: COMPLIANT OPERATIONS, ETHICS FIRST

Rainmed always upholds the concept of compliance, integrity and honesty and strictly complies with the relevant laws and regulations. It has developed and implemented a series of internal management systems to integrate risk control in respect of business ethics, information security and privacy, and intellectual property rights into every operational link, and is continuously improving the compliance systems to enhance operational management and risk prevention capabilities and promote sustainable operations.

1. Business Ethics and Anti-corruption

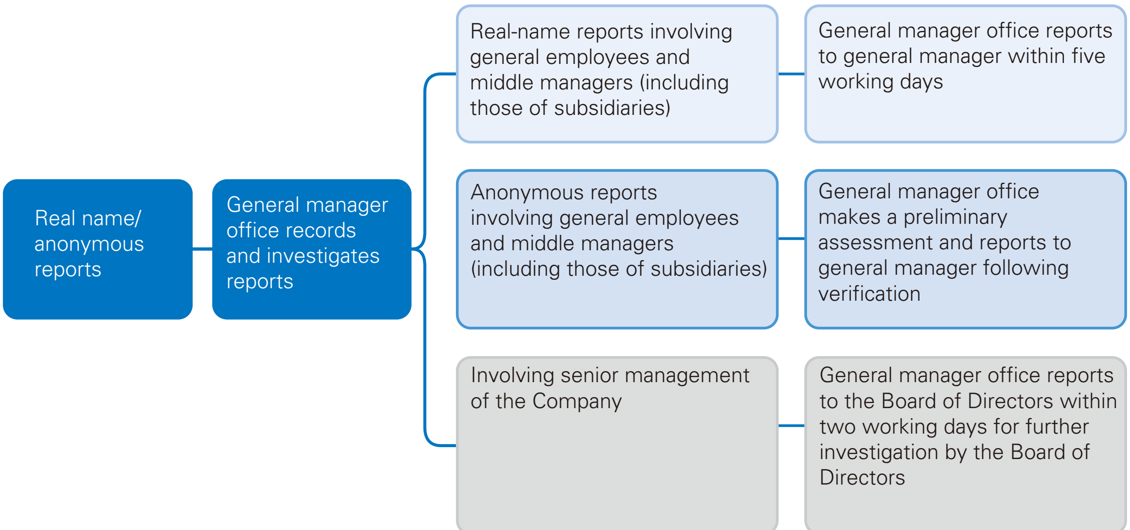
The Company is committed to creating a clean and upright working atmosphere by strictly complying with the Anti-monopoly Law of the PRC, the Law of the PRC Against Unfair Competition, the Interim Provisions on the Prohibition of Commercial Bribery and other laws and regulations and by implementing internal management systems including the Anti-fraud System and the Employee Complaint and Reporting Management System to regulate the ethical conducts of the management and all employees and resolutely prevent bribery, extortion, fraud, and unfair competition. During the Reporting Period, no embezzlement lawsuits were filed against the Company or any of its employees.

1) Business ethics and anti-corruption system

The Company has established a sound internal control system for business ethics and anti-corruption. The Board of Directors is responsible for overseeing the management's anti-corruption efforts and has designated the general manager office of the Company as the department for report and complaint management, which receives, investigates, handles and timely reports corruption-related reports and complaints to the Company's management or the Board of Directors. The Company provides various channels for reporting such as hotline, e-mail and complaint box, and encourages all employees, business partners and the public to report any ethical violations involving the Company.

Reporting channels	• Telephone: 0512-62622215-875; 0512-62622215-805 (general manager office) • Email: complaint@rainmed.com • Mailing address: Building 31, Northeast District, Nanopolis Suzhou, No. 99, Jinji Lake Avenue, Suzhou Industrial Park, 215000 • Complaint mailbox: A complaint box located at the reception desk on the first floor of the Company

After receiving the reports, the Company strictly follows the following process to follow up and verify:



Report handling process

If a misconduct is identified following verification, the Company will take timely actions to address it in accordance with the relevant policy:

- conducting internal control assessment and improvement activities for the affected business units;

- any employee found to have engaged in fraudulent behavior will be subject to appropriate administrative and disciplinary action in accordance with the applicable regulations. If his/her conduct has violated the criminal law, he/she shall be turned over to the judicial authorities in accordance with the law.

The Company makes every effort to protect the safety and rights of whistleblowers. It has established a whistleblower protection mechanism to maintain the confidentiality of the identities and reports of the whistleblowers and to prevent the retaliation against whistleblowers. Anyone in violation and his/her supervisors will be held accountable and punished as appropriate.

When accessing to the information on complaints for work purposes, the accessor must register the information on the person, content and time of access with the administration department prior to access.

Anyone who leaks whistleblower information or retaliates against whistleblowers will be subject to dismissal, termination or other sanctions, and will be turned over to the judicial authorities as required by law when necessary.

Employees who receive complaints or participate in fraud investigations must not disclose the information without authorization and must be supervised by higher authorities.

Whistleblower protection measures

2) Anti-corruption initiative

Rainmed adheres to the responsibilities and obligations for integrity, insists on the attitude of "zero tolerance for corruption" and encourages everyone to participate in the fight against corruption. The Company makes anti-corruption an important agenda and adopts anti-corruption measures in view of its production and operation, so as to reduce the chances of corruption incidents and ensure the healthy and stable operation of the Company.

Rainmed has established a comprehensive internal control mechanism for anti-corruption, implements strict appointment procedures for hiring or promotion in key positions, requires background checks to be conducted, and maintains records for the investigation process. The Company strengthens its anti-corruption monitoring mechanism, requires all employees to comply with its code of conduct, code of ethics, the relevant national laws and regulations and industry standards, discloses the reporting channels to all employees, and encourages real-name reporting in various forms as a public watchdog function.

In addition, Rainmed resolutely refrains from commercial bribery and any other unfair commercial competition in all parts of the supply chain. For significant and large purchases, the Company requires suppliers to sign the Anti-Bribery Agreement prior to doing business with them and strictly prohibits both parties and their employees from soliciting or accepting any form of financial benefit from each other, such as rebates, commissions, marketable securities, gifts and benefits in kind. The Company has a full-time procurement specialist and has developed a clear bidding process for suppliers. It requires the procurement specialist to provide an objective and quantifiable evaluation report, taking into account each supplier's bid, product performance and after-sales service to select the best. The final selection results must be approved by all senior leaders in the process before finalization, ensuring an open and transparent procurement process.

Furthermore, the Company makes business ethics and anti-corruption education a priority in building a corporate culture of integrity, conducts anti-corruption training for directors and all employees on a regular basis, and continuously improves the courses and forms related to integrity education to further raise employees' awareness of integrity in practice.

Anti-corruption training

In December 2023, the Company organized all employees to participate in anti-corruption training with the theme of "Understanding the Situations". It teaches the concept of "clear responsibility, strict discipline and integrity" to all employees by inviting external lecturers to teach business ethics standards, and raises the awareness of integrity and honesty among all employees.

2. Information Security and Privacy Protection

Rainmed strictly complies with the Network Security Law of the PRC, the Data Security Law of the PRC and other laws and regulations related to information security and privacy protection. It actively promotes the standardized development of information systems, formulates and implements internal management systems such as the Customer Information Confidentiality Management System, the Computer Management System and the Computer Room Management System, standardizes customer information management, network and software security standards, etc., and clarifies information security management responsibilities, thereby safeguarding the data and information security of the Company and its customers. Meanwhile, the Company actively conducts information security training and education to further enhance employees' skills and awareness of information security and privacy protection.

Rainmed continuously deepens the development of information security management system, and the general manager office of the Company is responsible for the implementation of relevant management requirements. Its responsibilities include the organization of testing and identification of computer hardware and software, maintenance and management of computer network, software, hardware, etc.

Each department is responsible for implementing confidentiality of computer programs, information, data and other daily operating practices. In addition, the Company has taken the following steps to protect information security and customer privacy in a comprehensive and multi-faceted manner:

Hardware management

- The finance department numbers computer equipment and establishes an itemized ledger that is periodically reviewed and maintained by the general manager office;
- Hardware failures are addressed by IT engineers in a timely manner, and employees are strictly prohibited from removing or replacing hardware equipment without authorization.

Software management

- The general manager office purchases, stores and registers software needed by the Company, and employees are strictly prohibited from installing programs unrelated to their work;
- IT engineers are responsible for installing, uninstalling, upgrading and troubleshooting software, and employees are strictly prohibited from handling on their own;
- Employees are strictly prohibited from using third-party software, CD-ROMs, portable hard drives, and other portable storage devices to prevent data leakage and viruses from entering the internal network.

Network management

- IT engineers set up user names and passwords, create directories, and assign access rights for new employees in the Active Directory (AD) domain server;
- Access to the Company's network by non-company computer equipment is strictly prohibited. If there are special reasons, access must be approved by the department manager and after IT engineers have reviewed system security and installed system security programs.

Data management

- Encryption systems are configured and deployed in core areas where critical information must be protected from leakage;
- Changes to file access rights and data backups must be approved by the department manager, and then the IT engineer in the general manager office will perform the relevant operation;
- Employees can regularly back up important work data to file servers to prevent data loss due to hardware or software failures.

Confidentiality agreements

- Prior to conducting research and clinical trials, the Company enters into research collaboration agreements with physicians that include data confidentiality provisions to ensure the security of patient information and product technology;
- Sign informed consent forms with patients before conducting registered clinical trials and strictly prohibit the disclosure of subjects´ personal information;
- Sign non-disclosure agreements with suppliers involved to protect all data and information relating to the business;
- Sign non-disclosure agreements with all employees and strictly prohibit the disclosure of trade secrets and confidential information of the Company.

Publicity and education

- Push network security messages to alert employees to the information leakage due to spam emails;
- Conduct internal information security training for all employees to raise awareness of network information security;
- Conduct emergency data backup and recovery drills to ensure the safe, secure, and stable operation of the Company´s information systems.

Information security and privacy protection measures

Network information security training

In order to spread the knowledge of network security and minimize information leakage and other undesirable events, during the Year, Rainmed organized all employees to participate in network information security training, and explained the importance of network information security, typical cases, and emergency handling plans through online training. The training deepened employees' understanding of network information security and improved their awareness of network information security.

Emergency data backup and recovery drill

During the Year, in order to ensure the safe, reliable, and stable operation of information systems and to improve its ability to respond to information system emergencies, the Company configured all-in-one backup machines and conducted an emergency data backup and recovery drill. Through the drill, employees mastered the operation process of data backup and recovery, which effectively prevented the risk of key information systems and improved the disaster recovery capability of the Company's data information system.

3. Protection of Intellectual Property Rights

Rainmed considers the protection of intellectual property as the core of business innovation and development, and attaches great importance to the protection of intellectual property rights and trade secrets. The Company strictly complies with the Patent Law of the PRC, the Trademark Law of the PRC, the Rules for the Implementation of the Patent Law of the PRC, the Anti-Unfair Competition Law of the PRC and other laws and regulations. It has formulated and implemented internal management systems, such as the Intellectual Property Management System, to standardize the internal management of intellectual property rights and the process of handling related matters. Meanwhile, the Company has established a patent reward system to encourage employees to actively invent and create, and strives to drive its development with innovations.

As of the end of the Reporting Period, the intellectual property rights owned by the Company were as follows:

Patents

- **321** granted patents and applied patents (including **53** overseas patents, **11** PCT patents, **135** invention patents, **81** utility model patents, and **41** design patents), of which are **184** granted patents (including **17** overseas patents, **11** PCT patents, **43** invention patents, **74** utility model patents, and **39** design patents)

Trademarks

- **292** registered trademarks, including **279** domestic registered trademarks, **8** Hong Kong registered trademarks, and **5** Madrid international trademarks

Software copyrights

- **15** software copyrights

Rainmed has established a comprehensive intellectual property rights management system to standardize the management process of patents, trademarks, software copyrights and other intellectual property rights, including the patent risk response workflow, the project stage early warning analysis workflow, the patent and intelligence analysis workflow, etc. It also clarifies the management scope and responsibilities of each intellectual property rights management department, and establishes the intellectual property rights department as the competent department responsible for supervising the implementation of intellectual property rights protection measures and realizing the full process management of intellectual property rights protection matters.

Rainmed adheres to the principle of "timeliness" and applies for patents in a timely manner for inventions that meet the conditions for patent grant to obtain legal protection. In addition, the Company has established an intellectual property rights confidentiality system. Before a patent application is published or announced, the Company's patent staff and related personnel are responsible for maintaining confidentiality of its contents, and if a violation causes losses to the Company, it will pursue the legal responsibility of the related personnel according to law.

To further strengthen the protection, application and management of its intellectual property rights, the Company has adopted the following protective measures:

Internal review	• Review information before releasing it to the public and participating in trade shows, and negotiate about intellectual property rights to protect the security of patented technology and trade secrets.
External monitoring	• Monitor whether external entities have infringed the Company's intellectual property rights and, if so, protect its intellectual property rights in accordance with the law.
Technology research	• Prior to initiating product and technology development projects, patent literature searches and analyses must be conducted to avoid duplicating research or infringing on the patent rights of others.
Disposal of subpar trademarks	• Subpar trademarks in trademark printing must be destroyed, and the printer may not retain or sell the printed materials bearing the Company's trademark logo.
Construction of trade secret demonstration sites	• In accordance with the requirements of the construction standards for trade secret demonstration sites, initially establish trade secret demonstration sites with organizational security, equipped with reasonable personnel, complete infrastructure, sound and scientific system, and reasonable and effective measures.

Measures to protect intellectual property rights

During the Year, the Company carried out the certification of intellectual property management system and obtained the GB/T29490-2013 management system standard. It further standardized the Company's intellectual property management system and strengthened intellectual property management.


知识产权管理体系认证证书
苏州润迈德医疗科技有限公司
GB/T29490-2013
中知（北京）认证有限公司

In addition, the Company conducts basic training on intellectual property rights and trade secrets once every six months and conducts related publicity and education from time to time to continuously improve employees' awareness of intellectual property rights protection and their ability to apply the relevant skills. During the Year, the Company organized a total of four training sessions on the protection of intellectual property rights and trade secrets.

In May 2023, Training on Efficient Searching of Patent Databases was conducted for core R&D personnel to help R&D innovation by using patent intelligence;

In June 2023, Kick-off Meeting and Training for Intellectual Property Management System Standardisation was conducted for mid-level and senior management of the Company, which explained the basic concepts, basic knowledge and management methods of corporate intellectual property management through case studies;

In August 2023, Training on Intellectual Property Management System Promotion was conducted for each department to clarify the contents of the management system documents to be implemented by each department in their daily work;

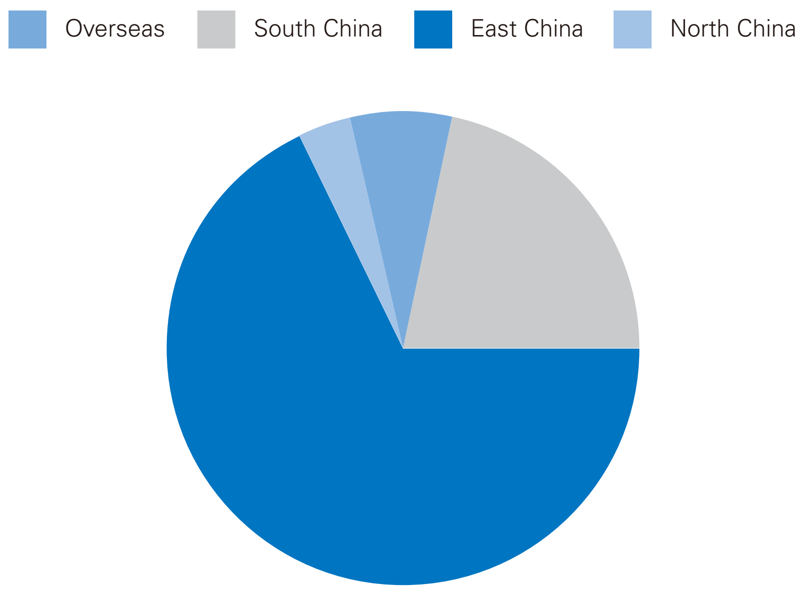
In September 2023, Training on Patent Creativity and Patent Infringement was conducted for all R&D staff to establish patent awareness among R&D personnel and cultivate a patent work mindset.

VI. PARTNER RESPONSIBILITY: WORK TOGETHER TO MAKE PROGRESS

Rainmed strictly complies with the laws and regulations such as the Bidding Law of the PRC and the Government Procurement Law of the PRC, and earnestly implements its internal management systems such as the Supplier Management Regulations and the Product Price Management System. It establishes and improves supplier qualification examination, admission, evaluation and assessment system, and adopts supplier classification management to ensure procurement quality with strict inspection mechanism and improve supplier management efficiency. On the basis of legal compliance, the Company sets requirements for suppliers with respect to the prevention of environmental and social risks, including but not limited to environmental protection, integrity and honesty, and employment compliance, in an effort to promote the development of a sustainable supply chain.

During the Reporting Period, the Company had a total of 68 suppliers. The number of suppliers by geographical region is as follows:

Number of suppliers by geographical region — 2023



1. Supplier Management

In order to strengthen the dynamic management of suppliers and ensure the quality of cooperation, the Company has clearly specified the processes and responsible parties for each link of supplier admission application, review, approval, and performance management through internal systems such as the Supplier Management Procedures and the Supplier Evaluation Process. It has developed a standardized full process supplier evaluation mechanism to ensure fair and open evaluation, and classifies and manages suppliers to ensure that suppliers who meet the requirements and have the qualifications and capabilities can continue to provide stable and high-quality supplies to the Company.

Preliminary review	Admission review	Process review	Regular assessment	Re-evaluation
• Conduct a preliminary evaluation of suppliers in terms of business qualifications, quality, reputation, ability to fulfill contracts, production environment, equipment and facilities, etc., and initially select supplier candidates that meet the requirements.	• Organize a review team to conduct document review, on-site review and sample review of supplier candidates, and only suppliers that pass all of the above reviews can be included in the Qualified Supplier List.	• Collect monthly statistics and monitor the incoming inspection pass rate and timely delivery rate of daily purchased items from suppliers, and issue the Supplier Corrective and Preventive Measures Report to suppliers who fail to meet the standards, requiring them to rectify the situation within a specified period.	• In January of each year, conduct a comprehensive evaluation of the supplier quality, price, delivery, service, and cooperation for the previous year, and complete the Annual Supplier Performance Evaluation Form.	• Conduct an annual comprehensive evaluation and on-site audit of key material suppliers, and suppliers that fail the audit will be removed from the Qualified Supplier List; conduct annual comprehensive evaluations of general material suppliers and on-site audits when necessary.

Full process supplier evaluation mechanism

Procurement developers	Supplier quality engineers	Quality department	R&D/engineering department
Responsible for supplier development, coordinating supplier reviews, signing supplier agreements, leading supplier evaluation and re-evaluation, and continuously optimizing the supplier resource pool.	Responsible for leading supplier reviews and issuing audit reports, supplier performance management, and participating in supplier evaluation and re-evaluation.	Participate in supplier performance management, supplier evaluation and re-evaluation.	Responsible for evaluation of suppliers' technical and engineering capabilities, evaluation and approval of samples, and participate in supplier reviews as necessary.

Supplier management responsibilities and authority

2. Build a Sustainable Supply Chain

Rainmed attaches importance to supply chain risk control, identifies potential supply chain risks, and takes timely measures to reduce the incidence of supply chain risk events. In terms of the risk control for key materials, the Company uses various management methods such as rolling forecast and stock preparation for materials with the risk of tight supply and long lead time to ensure continuous and stable supply. In addition, the Company enters into purchase and quality agreements with its suppliers, requiring them to establish quality management systems in accordance with the standards of the ISO9001 Quality Management System Certification and the ISO13485 Medical Device Quality Management System Certification to ensure the quality and safety of the products supplied.

Rainmed continues to monitor the environmental and social risks of its suppliers and takes social and environmental risks into account in supplier admission and process evaluation. The Company also actively promotes its ESG management philosophy to its suppliers and works with the supply chain to achieve sustainable development. The Company continues to optimize ESG risk management in the supply chain in seven areas: clean procurement, quality procurement, environmental procurement, responsible procurement, planned procurement, green storage and transportation, and intelligent management, and continues to explore responsible procurement practices.

Clean procurement

- Sign the Anti-Commercial Bribery Commitment with suppliers to eliminate all forms of bribery, abuse of power for personal gain and unfair competition in the supply chain, and to ensure openness, transparency, fairness and impartiality in the procurement process.

Quality procurement

- Develop the Incoming Inspection Management Rules and prepare the Standard Inspection Procedures (SIP) for various materials according to materials drawings and technical standards, including appearance, dimensional and performance inspection, and inspect incoming materials item by item according to the SIP. No materials may be accepted until they have passed inspection;
- Set the monitoring indicators for the incoming batch defect rate and the defect rate of per million parts to ensure stable and controllable quality of incoming materials.

Green procurement

- In the pre-screening of suppliers, the ability to protect the environment is included in the inspection checklist, and they are required to hold environmental protection permits;
- First-time suppliers are required to provide certification reports on the Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) and the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) according to the technical requirements;
- Streamline the manufacturing process of products and reduce the purchase of hazardous chemicals. During the Year, the Company´s total purchases of anhydrous ethanol and 75% alcohol increased by 17%.

Responsible procurement

- Require suppliers to comply with national labor laws and regulations and internationally recognized labor codes and prohibit the use of child labor and forced labor;
- Require suppliers to provide safe and sanitary working and living conditions and conduct emergency preparations and safety drills.

Planned procurement

- Formulate the Planned Procurement Procedure. The planning department prepares the monthly master production plan and updates the bill of materials, and the purchasing staff places purchase orders in a timely manner to ensure that materials meet production requirements and that inventory is maintained at an appropriate level.

Green storage and transportation

- Formulate the Warehouse Incoming Operation Guideline, the Warehouse Storage Operation Guideline, the Finished Product Delivery Operation Guideline and the Logistics and Transportation Operation Guideline to regulate the whole warehouse and transportation management process;
- In terms of transportation, change some of the packaging from wooden crates to wooden pallets to reduce the amount of packaging materials used;
- For inventory turnover, use recyclable plastic display boards to increase materials reuse;
- For energy savings in the warehouse, reduce air conditioning energy consumption by ensuring that the ambient temperature and humidity are within the proper range.

Intelligent procurement

- Independently develop electronic notice boards for supply chain management to realize real-time visualization of data statistics, visualization of key performance indicator management, and real-time visualization of supply chain logistics status;
- Improve the Enterprise Resource Planning (ERP) system by building systems to visually manage emergency documents, streamline purchasing document archiving, and automatically read materials serial numbers and production dates.

Sustainable supply chain building

In the development and selection of suppliers, Rainmed gives priority and support to local suppliers in consideration of convenient, stable and environmentally friendly supply. Meanwhile, the Company actively responds to the call of national policies and establishes cooperative relationships with small and medium-sized suppliers that meet the Company's supplier evaluation criteria to promote the development of small and medium-sized enterprises.

In addition, to help employees involved in supply chain management improve their professional knowledge and skills in procurement, development and planning, the Company conducted a total of 7 supply chain training sessions during the Year through a combination of internal and external training, and assessed the participants to ensure that the relevant employees are proficient in applying the knowledge and skills related to supply chain management.

2023 Supply Chain Employee Training Checklist

Sequence number	Topic	Training objects
1	Supply, production, sales, and logistics integration	Planning/ Warehouse
2	Production Planning and Material Control (PMC)	Planning
3	Improvement of key capabilities of procurement personnel	Procurement
4	APQP&PPAP	SQE
5	8 Disciplines (8D) Problem Solving Method	SQE
6	Efficient data processing and analysis skills and techniques for Excel	All supply chain employees
7	Enhance personal execution power	Procurement

3. Communication with Suppliers

The Company maintains transparent and smooth communication with suppliers at all times. It closely communicates with suppliers through telephone, e-mail, visits and interviews, implements suppliers' opinions and feedback mechanism, solves major problems faced in production and supply, and protects suppliers' rights and interests. The Company and suppliers integrate each other's strengths, relying on the Company's product technology and business environment combined with the suppliers' resource advantages to support each other's sustainable business expansion.

VII. EMPLOYEE RESPONSIBILITY: GATHER TALENTS WITH A PEOPLE-ORIENTED MIND

Rainmed always upholds the concept of people-oriented and considers talents as an important driving force for its steady growth. The Company continuously improves its talent management system to protect the legitimate rights and interests of employees, and is committed to creating a fair, equal, diverse, and inclusive work environment. The Company supports the professional development of its employees, cares for their physical and mental health and safety at work, listens to them, cares for them in their daily lives, and strives for the common growth of the Company and its employees.

As of the end of the Reporting Period, the Company had a total of 354 employees. Under the policy of actively introducing highly educated and qualified talents, the percentage of the Company's employees with a master's degree or higher has reached 13.56%. Details of the employees of the Company are as follows:

Breakdown		Number of employees	Percentage (%)
Total number of employees by gender	Male	209	59.04
	Female	145	40.96
Total number of employees by employment type	Full-time	354	100
Total number of employees by age group	30 and below	148	41.81
	31–50	204	57.63
	Over 50	2	0.56
Total number of employees by geographical region	Mainland China	342	96.61
	Hong Kong, Macau and Taiwan	12	3.39
Total number of employees by rank	Directors and above	18	5.08
	Managers and supervisors	45	12.71
	General employees	291	82.2

1. Employment and Rights Management

The Company attaches great importance to the development of human resources, continuously optimizes its human resources management system, implements relevant regulations on recruitment and promotion, dismissal and separation, working hours and rest periods and diverse and equal employment, in order to comprehensively protect the legitimate rights and interests of employees. In addition, the Company strives to provide equal development opportunities and a broad development platform for employees, and offers fair and competitive salaries and benefits to promote the recruitment and retention of outstanding talents.

1) **Talent introduction and retention**

Employment compliance

Rainmed strictly abides by the Labour Law of the PRC, the Labour Contract Law of the PRC, the Employment Promotion Law of the PRC and other laws and regulations, and has formulated and implemented internal systems, such as the Recruitment Management System, to clarify the requirements, procedures and standards for each aspect of employment. The Company establishes labor relationships with employees based on the principles of fairness and legality, equality and voluntariness, honesty and trustworthiness, and enters into contracts with employees in strict accordance with the relevant laws and regulations, with the rate of signing labor contracts reaching 100%.

The Company strictly prohibits child labor. It specifies in its Recruitment Management System that minors under the age of 16 must not be hired as employees of the Company, and strictly verifies basic information of employees such as the age before they join the Company to ensure that they meet the minimum working age requirements set by law. Furthermore, the Company has zero tolerance for forced labor practices and does not encourage overtime or forced extension of working hours, and the human resources department strengthens the management of working hours through monthly attendance reports to ensure legal and compliant employment. During the Year, the Company was not aware of any illegal incidents related to child labor or forced labor.

The Company conducts an annual talent inventory to determine hiring needs and develop hiring plans. Based on the principle of "fairness and impartiality, comprehensive evaluation and merit-based selection", it selects talents through various channels such as campus recruitment, social recruitment and internal recommendation to provide talent support for its rapid growth.

Organizing Spring and Fall Offline Campus Recruitment Fair 2023

In 2023, Rainmed entered Jiangsu University, Nanjing University of Science and Technology, Nanjing Tech University and other renowned colleges and universities in Jiangsu Province to conduct campus recruitment. By presenting the Company's corporate culture, campus recruitment positions, career development and training mode, the mutual-selection meetings deepened students' understanding of the Company's overall situation and attracted many students to submit their resumes, which facilitated the implementation of the Company's annual campus recruitment plan and injected a lot of fresh blood into its talent pool.

Talent retention

The Company is always focused on team stability and the retention of key talents. It has established a standardized communication and investigation mechanism for employee departures and produces quarterly separation analysis reports to gain a deeper understanding of the reasons for employee departures, and develop targeted solutions to optimize employee retention management.

Position matching and competency exploration	Employee communication and training	External market research
• The human resources department assists the hiring departments in exploring the deeper qualities of the candidates as much as possible, in order to appropriately match the hiring needs and avoid potential post-hire problems as much as possible; • Encourage departments to make thorough assessments of employees' work skills and to prioritize resources when assigning work tasks and developing training plans.	• The Company encourages department heads to communicate more with employees and to make full use of performance interviews and other means to communicate with employees and maintaining appropriate records; • Newcomer mentors enhance mentoring. A mentoring system for newcomers has been designed and implemented; • Conduct leadership training to improve the management skills of employees.	• The human resources department should maintain sensitivity to the market environment, pay attention to and understand the changes in the market environment in a timely manner, provide external market information to the hiring departments, and actively promote the Company to keep pace with the market.

Employee retention management optimization plan

During the Year, the Company's employee turnover rate was 55.93%. In particular, the male employee turnover rate was 56.46%, and the female employee turnover rate was 55.17%. The turnover rate of employees aged 30 and below was 68.24%, the turnover rate of employees aged 31–50 was 47.06%, and the turnover rate of employees aged 50 or above was 50.00%. The employee turnover rate in Mainland China was 57.89%, and there was no turnover of employees in Hong Kong, Macau and Taiwan.

2) Equal opportunity

Rainmed respects the differences of its employees by following the principles of equality, tolerance and diversity. It does not discriminate in the hiring, treatment, training and promotion of employees on the basis of color, nationality, gender, age, ethnicity, marital status, religious beliefs, place of residence, etc., and provides a work environment of mutual respect, understanding and integration for employees of diverse backgrounds. The Company also actively supports the employment of people with disabilities. In accordance with the relevant provisions of the Regulations on the Employment of Persons with Disabilities, it provides employment opportunities and corresponding benefits to persons with disabilities in view of its employment needs, in order to fulfill its social responsibility.

The Company actively practices the principle of gender equality in the workplace to protect the legal rights of women in employment, and provides women with fair and equitable employment opportunities and promotion opportunities. As of December 31, 2023, the percentage of female employees in the Company was 40.96% and the percentage of female executives at the director level and higher was 27.78%.

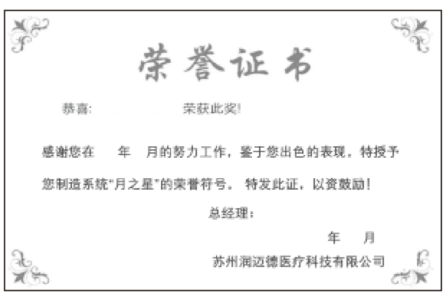
3) Compensation and benefits

Rainmed has developed and implemented internal systems such as the Compensation and Welfare System and the Leave Management System to properly protect the rights and interests of employees. The Company has established a comprehensive compensation system that is oriented towards performance and job contribution and takes into account the value of the position, job performance and skill level of employees, and is committed to providing employees with more competitive compensation packages. In addition, every year, the Company appropriately adjusts the salary according to the overall performance, the industry salary level, the social price level, and the results of the employee performance evaluation, taking into account the actual situation and development needs of the Company, so as to maximize the personal value of its employees.

The Company is also committed to providing a wide range of benefits to employees. While ensuring that employees enjoy statutory benefits such as social insurance, provident fund, and paid vacation, the Company provides annual medical examinations, high-end medical insurance programs and various work allowances, and maintains various welfare insurance policies such as accident and critical illness insurance for employees to effectively enhance their happiness and sense of belonging.

Additional benefits (partial)

In addition, the Company focuses on tapping the potential of employees and mobilizing their enthusiasm by formulating the relevant policies and improving the incentive mechanism. Each department of the Company formulates internal incentive policies and pays bonuses to employees who have made outstanding contribution to the Company by putting forward constructive proposals and participating in special projects. It encourages employees to actively participate in its operation and stimulates their potential for innovation in order to realize the common growth and value creation of the Company and employees. The Company also attaches great importance to the recognition of spiritual value of employees. It recognizes employees' contribution and value and gives them a sense of professional honour and accomplishment by holding a variety of outstanding employee selections, issuing honorary certificates of honour, etc.


荣誉证书

恭喜:　　　　荣获此奖!

感谢您在　年　月的努力工作，鉴于您出色的表现，特授予

您制造系统"月之星"的荣誉符号。 特发此证，以资鼓励!

总经理:

年　月

苏州润迈德医疗科技有限公司

"Star of the Month" certificate of honour for the production department

Selection of outstanding talents

From July to August 2023, the Company carried out semi-annual employee sorting and rank selection. By adhering to the principle of fair and open review, the human resources department selected 11 outstanding backbone employees through the processes of self-recommendation and recommendation within the departments, preliminary screening by the human resources department, comprehensive review by the review committee and final review of the decision-making level of the Company, and awarded them the honorary titles of "Senior Engineer" and "Outstanding Contributor" as a strong recognition for their professionalism and dedication in their respective positions and to motivate all employees to move upward.

2. Staff Training and Development

Rainmed put an emphasis on the development of the abilities of employees and the establishment of a sound talent training system. It continues to optimize the development and promotion channels for employees and helps employees to realize their self-worth, in order to enable outstanding talents to stand out.

1) Talent training

Rainmed is well aware that talent training is crucial to its sustainable development. It has formulated and implemented internal systems such as the Training Management System and the Newcomer Mentor System to standardize training management, and established a sound, standardized and systematic staff training system to meet the training needs of employees in different positions in terms of professional fields and business capability development.

The Company arranges three types of training courses, being leadership training, personal development plan and new employee training, to provide differentiated training for employees at all levels. By formulating training plans for employees at different stages of development, it aims to selectively improve the position adaptability and competence of employees. To ensure the quality of employee training, during the Year, the Company adopted a dual-channel training method of "offline training supplemented by online training" to maximize the training effectiveness. On the one hand, the Company has established and continuously optimized online learning platforms such as Cloud Class to achieve flexible and convenient employee training. On the other hand, the Company has built a professional team of internal trainers to fully utilize its extensive internal training resources to support the development of all employees. In addition, the Company maintains employee training records to record the development process of employees and provides targeted training programs to employees based on their records to fully realize their personal potential and help employees improve their skills and career development.

Type	Curriculum system				Typical program
Leadership training	Executive leadership EMBA/offline workshop				Leadership workshop
	Training for junior to middle management				New manager training camp
Personal development plan	General skill training courses				Celebrity classroom
	Vocational skills training courses provided based on position requirements/system requirements				Theme training camp
	Product training	Business line training	Sales line training	Technical line training	Case sharing
New employee training	Targeted knowledge and skill training conducted by the departments				Lectures and salons
	Training for employees hired through social recruitment		Training for employees hired through campus recruitment Icebreaker		Icebreaker/outreach activities

Staff training system

Theme training camps for professional talents

In 2023, the Company organized theme training camps for professional talents, which were divided into two phases. 33 key employees with high potential from various business departments were selected to participate in the training. From efficient thinking tools in the workplace and perspectives of report writing, the Company provided valuable new methods and new ideas for the trainees to enhance their work efficiency.

Training on mind map — efficient thinking tool for working

Training on working report writing and reporting skills

Teamwork-themed training camp

Quality development activity

A total of 26 core members of the R&D project team attended the 2023 teamwork training camp, which was a fusion of themed workshops and various training models for teamwork quality development. In order to enhance the teamwork, communication skills and team morale of the core members of the Company's R&D project team, the activity fully mobilized the work enthusiasm of project team members, established their mutual trust and deep communication and integration to build a more cohesive and competitive R&D project team.

In addition, the Company set up a newcomer mentor program during the Year, developed and implemented the Newcomer Mentor System, under which senior employees provided new employees with one-on-one guidance and training covering work skills, work experience sharing and career development suggestions, aiming to help new employees quickly adapt to the working environment and fit into the team of the Company. In the process of promoting the newcomer mentor project, the core backbone employees of the Company as mentors can also develop their leadership and management skills, which has contributed to the construction of the Company's management echelon and achieved a win-win situation of new employee development, mentor development and organizational development.

First week

Help new employees get familiar with the working environment and develop training plans

First month

Actively answer questions and solve problems for new employees and communicate with them about training plans

Second month

Arrange tasks for new employees and provide necessary guidance

Third month

Supervise the work of new employees and maintain communication with them

Regularization period

Help new employees prepare for and successfully complete their regularization reports

Newcomer Mentor Program schedule

In order to ensure the effectiveness of employee training, the Company evaluates and assesses the results of training courses and links the assessment results of trainees directly to their work performance as an important basis for their promotion and position transfer, so as to examine and monitor the learning and mastery of employees. Furthermore, after each training session, the Company summarizes the experience and lessons learned from the training program, and prepares a training result analysis report to continuously optimize the training work.

Outward bound for new employees

In addition, the Company supports employees in external training and education, encourages employees to improve their professional skills and knowledge on their own time, supports employees in continuing education in management or job-related subjects during their employment, provides reimbursement of training and examination fees and other benefits for employees to obtain professional certificates, and supports employees in improving their academic qualifications and skills.

The Company's external training in 2023 will mainly focus on professional skills improvement, cultivating business backbones for each department, thereby improving organizational effectiveness.

Intellectual Property Industry Forum

Structured leadership workshop

During the Reporting Period, the percentage of trained employees of the Company was 100%, and the average training hours were 10.07 hours. The percentage of trained employees and the average hours of training by gender and rank are as follows:

Breakdown		Percentage of trained employees (%)	Average training hours (hour)
Trained employees by gender	Male	46.47	7.93
	Female	53.53	13.16
Trained employees by rank	Directors and above	4.05	8.03
	Managers and supervisors	7.17	5.68
	General employees	88.78	10.87

2) **Promotion and development**

Talent development is a source of power for corporate development. Adhering to the purpose of mutual promotion and mutual advancement between employees and the Company, Rainmed has established a sound performance appraisal and promotion system based on internal systems such as the Employee Career Development Management System and the Performance Appraisal System. It also continuously optimizes employee performance appraisal standards, performance appraisal appeal mechanism and promotion process to support the construction of talent echelon in an all-round way.

From the two perspectives of position nature and employee ability difference, the Company has divided its positions and ranks into five categories, and has developed a horizontal multi-channel and vertical multi-grade career development system to provide various talents with a broad space for career development. Besides, the Company continues to optimize career development paths. While choosing career development paths corresponding to their academic background and past experience, employees are also required to select appropriate development paths in other categories according to their own characteristics, forming a dual-path development model to establish a diversified talent pool for the sustainable development of the Company.

Management category	Leadership (Decision-maker)	Senior management (Management)	Middle management (Supervision)	Junior management (Implementation)
Technical category	General technology	Application development	Product design	……
Professional category	Quality control and internal audit	Human resources	Financial	……
Sales category	Sales	Marketing		
Operation category	Production operation			

Position development system

To stimulate the enthusiasm of employees, the Company has established a sound performance appraisal system and assesses the work performance of employees in three areas, being Key Performance Indicators (KPI), work competency and work attitude on a regular basis. The assessment results are linked to their year-end bonuses and salary adjustments and serve as a reference for promotion. The Company has established a complaint handling mechanism. Employees who disagree with the performance appraisal results may submit corresponding evidence and appeal in writing to the human resources department within one week after the appraisal results are delivered. The human resources department will deal with the situation according to the facts to ensure the fairness and reasonableness of the performance appraisal results.

Reference factors for performance appraisal	**Key performance indicators (KPI)** Three to seven indicators are set, which are generally determined in terms of quantity, quality, timeliness, resources saved and customer feedback and should be specific and measurable;
	Work competency Three to five indicators are set, such as position skills, work execution, problem communication, task feedback speed, flexible response, technical innovation, interpersonal communication and self-regulation;
	Work attitude Three to five indicators are set, such as proactiveness, sense of responsibility, teamwork awareness, learning awareness, discipline awareness and ownership awareness.

3. Staff Health and Safety

Rainmed always puts the health and safety of employees first. In addition to reimbursing the cost of new employees' entry examination and organizing annual health examination for all employees, it also organizes health lectures, first aid training, health awareness month, health awareness competition and other themed activities from time to time to improve employees' health awareness and self-protection ability. In addition, the Company has provided supportive cultural and recreational facilities in the office, such as stationery, sports equipment and books, to help employees achieve a work-life balance and maintain physical and mental health.

4. Employee Communication and Care

Rainmed listens carefully to the ideas and needs of employees and considers employee communication and care as a key link of team building. By establishing diversified communication channels and carrying out a variety of employee activities, it pursues the well-being of employees, promotes harmonious coexistence among employees, and strives to create a harmonious team atmosphere.

1) Employee communication

The Company always advocates employee participation and democratic communication and strives to create an equal, transparent, and trustworthy communication environment. It has established a variety of communication channels for employees and listens to their voices to effectively solve their problems. In the meantime, the Company regularly organizes cross-department communication and conflict management training to strengthen the communication skills of employees.

	Employees can express their opinions through various channels such as official WeChat account, mailbox and bulletin board.
	The Company has set up a labour union and holds employee representative meetings on a regular basis to discuss important issues such as welfare system, community activities and labour union planning.
	Newcomer mentors communicate with new employees from time to time to understand the integration of new employees into the Company and the team and provide help and guidance when necessary.

Channels for communication with employees

In order to better listen to the voices of employees, during the Reporting Period, the Company conducted several satisfaction surveys on training satisfaction, welfare satisfaction, and newcomer mentor project satisfaction among employees to understand the needs and suggestions of employees in the form of questionnaires. Based on the survey results, targeted measures were taken to continuously improve the Company's deficiencies in employee management, which received high recognition and good feedback from employees.

2) Employee care

Rainmed adheres to the concept of "happy work, happy life" and advocates a balance between work and life for employees. Every year, the Company organizes various departments to carry out team building, group trips, festival celebrations, and other colorful cultural and sports activities, and adopts a series of employee care measures to allow employees to relax after work and enhance their sense of happiness and belonging.

Kung Fu tea, drinks, snacks and fruit are always available in public areas such as the tea break area for employees.

Cultural and recreational supplies are replenished from time to time so that employees can relax during work breaks.

The books on the bookshelf in the public areas are changed from time to time and are always available for employees to read for leisure and learning.

Birthdays, marriages and childbirths of employees are recognized with appropriate gifts.

Employee care measures

Holiday gifts for employees to feel the warmth of the holidays

Regular tea breaks to make employees "happy work, happy life"

The Company's Yoga club activities

VIII. ENVIRONMENT RESPONSIBILITY: PRODUCTION SAFETY AND GREEN DEVELOPMENT

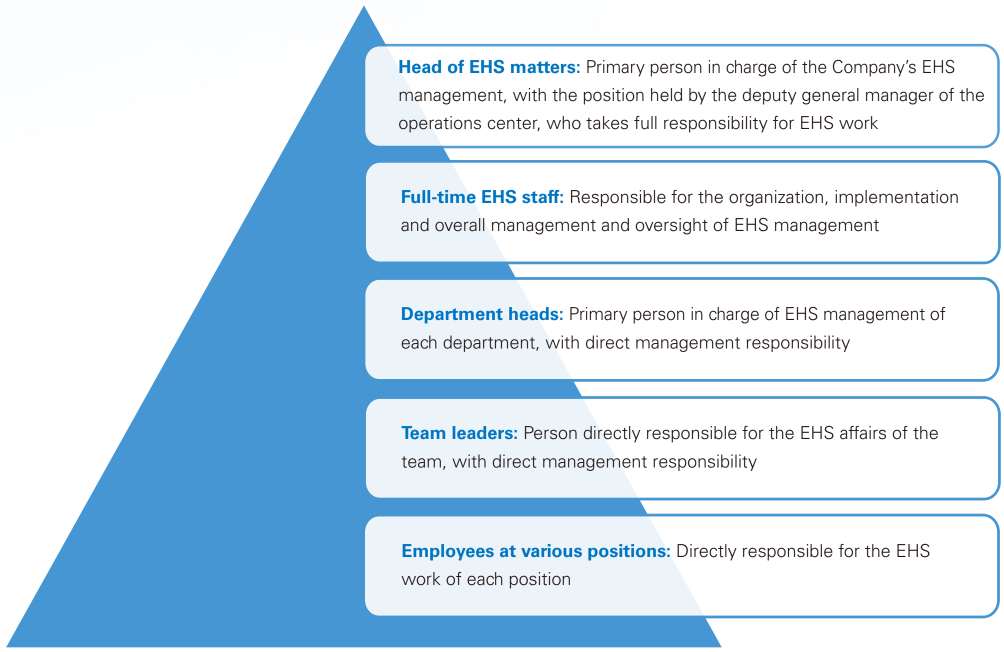
Rainmed has always strictly adhered to the bottom line of production safety and the concept of green development, and has implemented Environmental, Health and Safety ("EHS") management measures in accordance with the requirements of laws, regulations and relevant policies. The Company has established a sound EHS management mechanism, and continuously improved production safety management measures to provide a safe working environment for employees. In addition, Rainmed earnestly fulfilled its environmental protection responsibilities and explored diversified energy conservation and emission reduction measures to actively respond to the risks of climate change and steadily move toward low-carbon development.

1. EHS Management Mechanism

Rainmed strictly complies with the Environmental Protection Law of the PRC, the Occupational Disease Prevention and Control Law of the PRC, the Work Safety Law of the PRC and other laws and regulations. It has formulated and implemented internal systems, such as the Production Safety Responsibility System and the Environmental Management and Protection System, to strengthen risk control throughout the EHS process and continuously improve the development of the EHS management system.

Rainmed regards EHS management as a long-term and comprehensive task. It has implemented the policy of "safety first, prevention first, comprehensive management" and developed a scientific and comprehensive EHS concept. Adhering to the principle of "whoever is in charge is responsible", it has implemented an all-staff, all-round, and whole-process EHS management and established a top-down EHS responsibility system with level-by-level implementation.

The Company has full-time EHS staff that plan, establish and make adjustments for its general environmental, safety and health management related matters, are responsible for daily EHS management, supervision and inspection, and organize all employees to conduct EHS education, training and evaluation of the Company.



EHS management structure

EHS responsibilities

- Organize the formulation and revision of the Company's EHS management system, and promote the basic policies, objectives and annual plans for EHS;
- Conduct company-wide EHS education, and organize EHS training and assessment;
- Implement the environmental management work plan, and supervise the implementation of environmental protection work by various departments;
- Conduct prevention and control of occupational diseases in accordance with national regulations, provide regular medical examinations for employees engaged in toxic and hazardous work, and conduct promotion and education to prevent employee illness, occupational poisoning, and heat stroke;
- Organize safety production inspections and emergency rescue drills, and put forward suggestions for improving safety production management.

The Company regularly conducts internal audits of EHS-related operations and, based on the results of the audit feedback, makes targeted suggestions for improvement and measures to address existing deficiencies in its EHS management in order to further optimize EHS management.

Environment	Safety	Occupational Health
• Wastewater monitoring, exhaust gas monitoring, noise monitoring, solid waste monitoring; • Pollution control measures.	• Identification and analysis of dangerous and hazardous factors; • Analysis of the safety conditions of construction projects; • Safety measures and suggestions.	• Occupational health survey; • Identification, analysis and detection of occupational disease hazards; • Suggestions and measures for occupational disease hazards control.

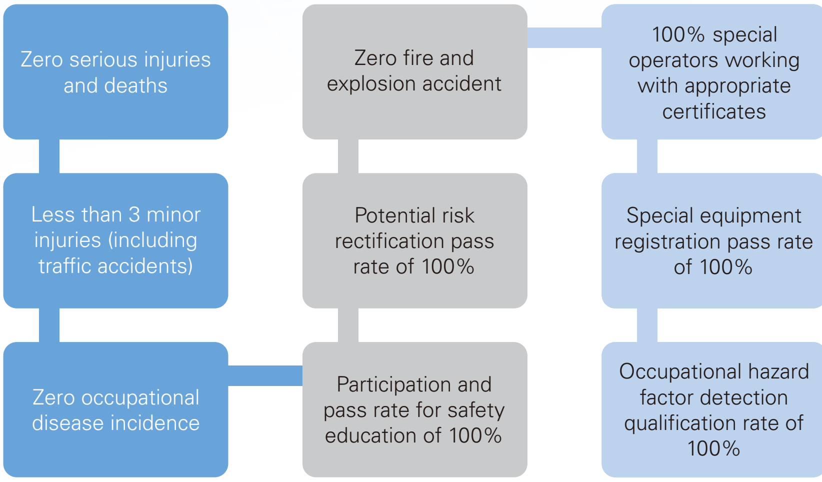
Main contents of EHS audit

2. Production Safety Management

Ensuring the safety and health of employees is a top priority in a company's production and operations activities. The Company has strengthened production safety management through measures such as ensuring safe construction operations, conducting safety training plans, and organizing emergency drills to effectively ensure the safety and health of employees.

1) Production and construction safety

Rainmed has always put production safety at the top of its operations and management. It has established a production safety committee that is responsible for production safety management. The Company entered into the Letters of Commitment to Production Safety Objectives for 2023 with each department and team employee, setting out nine safety objectives and breaking down the production safety responsibility objectives to all employees level by level to implement production safety responsibility, which has enabled the combination of "rights, responsibilities and benefits" to ensure smooth production safety work.



Production safety objectives

In light of these production safety objectives, the Company has applied for production safety qualification certificates in strict compliance with the relevant laws and regulations to ensure that special operators have appropriate operating certificates and that special equipment such as pressure vessels, safety valves and pressure gauges are registered and qualified, so as to ensure the safety of production facilities and equipment for operators. In addition, the Company has implemented comprehensive and diversified production safety management measures to ensure the safety of the production process in a comprehensive manner. During the Reporting Period, the Company had no lost working hours due to work-related injuries, and had no work-related injuries in the past three years.

Hierarchical control of safety risks

Establish a hierarchical safety risk management and control mechanism, and specify the management and control measures for different levels of risks.

Inspection and management of safety hazards

Implement a mechanism for the inspection and management of safety hazards, formulate and implement the plans for safety hazard management.

Production safety facilities inspections

Organize at least one comprehensive production safety inspection every quarter to study and analyze the existing production safety problems.

Improvement of safety operation specifications

Improve safety operation specifications, make "Educational Tip" cards etc. to remind employees of production safety.

Production safety management measures

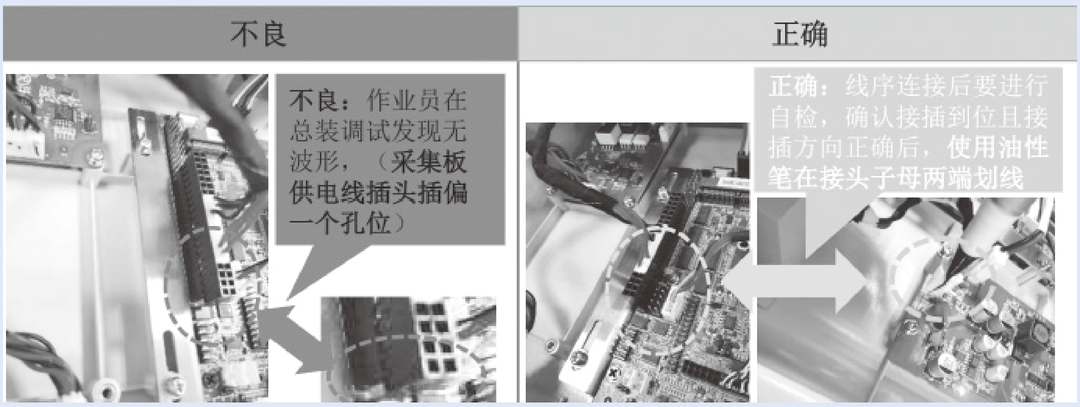
Bonus points:
Raise concerns of safety hazards; Solve safety hazards; Actively remind other colleagues of or dissuade their unsafe behaviours.

Deduction points:
Employees fail to use labour protection appliances correctly as required; Operate in violation of safety rules; Block, occupy or misappropriate fire-fighting equipment etc.; Other violations of safety-related regulations and common sense.

Contents of production safety performance appraisal for employees

"Educational Tip" safety cards

In order to avoid human operating errors, the Company's production department has produced "Educational Tip" safety cards, which show operating errors and correct examples through comics, and posted them at relevant operating stations to remind employees of correct operation, thereby effectively preventing repeated operating errors and ensuring a more standardized and safer operating process.



"Educational Tip" safety cards

In addition, in order to enhance employees' initiative and awareness of production safety, the Company has formulated the Management Regulations on Performance Appraisal of Operation Posts, which incorporates production safety factors into performance appraisal management and sets production safety KPI requirements for employees holding operational positions in the production and manufacturing department. The results of performance appraisals are linked to performance bonuses, salary adjustments, promotions, and training, and employees with outstanding performance are given opportunities for promotions, salary increases, and external training. As a result, employees are encouraged to improve their own safety awareness and implement safety protection measures.

For operations with significant safety risks, the Company has formulated the Safety Management System for Hazardous Operations to carry out strict management and control, and sets requirements for the process before, during and after operation for hazardous operations scenarios such as hot work, confined space operation, and high-altitude equipment inspection and maintenance operations, in order to ensure the safety of construction operations and improve the Company's safety operation management.

In addition, to further standardize construction safety management, the Company requires external construction units to sign the External Unit Construction Safety Agreement, which specifies the safety responsibilities and obligations of external construction units and strictly controls their production safety management, production safety equipment, safety protection equipment and use of hazardous materials, so as to effectively protect the personal safety of construction workers and prevent construction accidents.

Before operation

- Identify potential hazards and risk factors at the work site and during the work process and develop appropriate safety measures;
- Provide safety training to the personnel involved in the operation;
- Perform safety inspections of equipment, facilities, tools, etc. involved in the operation.

During operation

- Persons entering the work area must follow the safe operating procedures for such work and properly wear personal protective equipment as required;
- If a failure occurs in the production equipment that may endanger the safety of the operators, the operators shall stop the operation and evacuate quickly, and the operating unit shall immediately notify the production unit.

After operation

- Restore the safe use functions of safety devices removed during operation, such as cover plates, grate plates, handrails, railings, protective covers;
- Evacuate tools and instruments, scaffolding, temporary power supply and temporary lighting equipment for operation from the site in a timely manner;
- Clean up trash, debris, garbage, oil, etc.

Hazardous operations management measures

2) Safety training and emergency drills

Safety training and emergency drills are an important way to strengthen employees' awareness of production safety. Rainmed actively conducts a variety of content-rich safety education and training activities, continuously optimizes the emergency rescue plan, and conducts emergency drills to improve employees' ability to apply production safety skills and strengthen production and operational safety management.

Safety training activities

In order to strengthen employees' awareness of safety responsibilities, the Company organized a series of safety training activities in 2023 to promote employees' production safety knowledge and safety protection skills, with the aim of enabling all employees to grasp the safety concept of "I want to be safe, I understand how to be safe, I can be safe, I must be safe, I will be safe". It also conducted safety education and training for related parties and worked with partners to build a safe production line.

During the Year, a total of 8 trainings were conducted, including 4 full-time trainings and 4 special trainings:

Date	Training topic
January 2023	Safety education before the Spring Festival
February 2023	Special training on seismic safety
March 2023	Safety education and training of laboratory heating equipment
April 2023	Safety training before Labour Day
June 2023	Education training in the month of production safety
July 2023	Training for hazard identification, risk assessment, risk control
September 2023	Education and training on safety precautions before Mid-Autumn Festival and National Day
November 2023	Laboratory safety special training

Safety education and training of laboratory heating equipment

In February 2023, the Company organized the announcement of safety production in Spring Festival and studied typical accident cases of recent laboratory oven accidents. We hope that employees can take cautions, extrapolate, stay vigilant based on cases, and take cases as cautions. We enhanced employees' knowledge on safety production, enhanced their skills on coping with safety hazards, and urged employees to integrate their safety responsibility awareness into every aspect of production.

Education training in the month of production safety

In June 2023, the Company launched a monthly thematic training on safety production for all staff. By explaining the basic safety knowledge, the staff can better master the safety knowledge and skills of prevention and rescue, and can actively participate in safety work, protect themselves with the knowledge they have learned, and realize that "everyone speaks of safety, and each one responds to emergencies".

Moreover, the Company actively encourages employees to participate in external EHS training, such as occupational health management knowledge training and occupational health management personnel training, and to obtain relevant certificates to further improve employees' safety knowledge and practical skills.

Safety emergency drills

Rainmed strictly implements internal systems such as the Emergency Rescue and Management System for Occupational Disease Hazards, the Special Emergency Plan for Occupational Disease Hazard Accidents and the Emergency Plan for Chemical Leakage. It has established an emergency rescue command, headed by the deputy general manager of the operations center and composed of various departments of the operations center, to manage its emergency rescue work, the responsibilities of which include but are not limited to formulating safety emergency rescue plans, emergency training plans and emergency drill plans, etc. The Company also continues to strengthen employees' ability to handle safety emergencies by continuously improving emergency rescue facilities and equipment reserves.

Comprehensive drills

- Organized by the Company's emergency rescue command which determines the participants, time and content of drills, etc., to test the effectiveness of each link in the overall emergency response system.

Link drills

- The drills are conducted from time to time and at least once a year, for a specific link of the emergency response system and are organized by the Company, taking into account its production status, in order to improve the emergency response plan as well as the emergency response rate of employees and the emergency response capabilities of each functional group.

Emergency drill plan

3. Environment Management

Rainmed follows the green development concept of harmonious coexistence between man and nature. It strictly complies with the laws and regulations including the Law of the PRC on the Prevention and Control of Environmental Noise Pollution, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Water Pollution, and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste. It has formulated and implemented internal systems such as the Environmental Management and Protection System, and actively fulfills its obligations to protect the environment. The Company's full-time EHS staff has established a management structure for environmental protection work that defines responsibilities at each level to ensure the effective operation of the environmental management system. In addition, by constantly optimizing energy conservation and emission reduction measures, improving the manufacturing process and reducing the consumption of raw materials, the Company is committed to reducing the negative impact of its operations on the ecological environment and striving for synchronous growth of environmental, social, and economic benefits.

1) Emissions management

The Company has clearly defined its emissions management goals that meet the requirements of the locations in which it operates and ensures that the appropriate qualifications have been obtained for all projects in which the Company is involved that require a pollution discharge permit or pollution discharge registration. On the basis of ensuring the compliant and proper handling of emissions, the Company has taken efficient and scientific management measures to minimize the generation of emissions and achieve green environmental protection in the production and operation process.

Exhaust gas management

The exhaust gases emitted by the Company are mainly organic fumes generated during material disinfection, assembly workshop disinfection, experiments, chemical storage, and welding fumes, all of which are treated with activated carbon devices or mobile fume scrubbers to meet standards prior to emission and are monitored annually by qualified monitoring organizations appointed by full-time EHS staff.

Wastewater management

The wastewater generated by the Company is mainly domestic wastewater, concentrated water produced from purified water, and cleaning wastewater. After complying with the relevant discharge standards, they are discharged to the sewage treatment plant in the industrial park via the municipal sewage system, treated centrally by the sewage treatment plant in the industrial park, and monitored annually by qualified monitoring organizations appointed by full-time EHS staff.

Waste management

In accordance with the principles and target of waste management of "recycle, reduce and render harmless", Rainmed has formulated and implemented internal systems including the Hazardous Waste Management System and the Operating Instructions for Hazardous Waste Temporary Storage Room Management, and strictly implements the collection, temporary storage, treatment and comprehensive utilization of various wastes in the production process. In addition, the Company's full-time EHS staff is responsible for preparing annual plans and reports on pollutant and waste management, and submitting them to the relevant environmental authority for review.

The Company's non-hazardous waste includes general industrial solid waste and domestic waste. General industrial solid waste is collected and treated by a qualified third party contracted by the supply chain department; domestic waste is collected by the administrative department and handed over to the sanitation department for regular disposal.

The Company's hazardous wastes consist primarily of medical wastes such as test fluid waste, laboratory cleaning waste water, and waste packaging containers, as well as waste activated carbon generated during emission reduction activities. For hazardous waste, each division of the Company has established an organizational system for hazardous waste disposal management, appointed specialists responsible for hazardous waste disposal and management, and accepted the guidance and supervision of EHS to ensure legal compliance of hazardous waste discharge.

Noise management

The noise source of the Company is mainly the noise generated by the operation of production equipment. By taking measures such as low-noise equipment, workshop sound insulation and vibration reduction, distance attenuation, and planting greenery in the factory area, the noise at the factory boundary can meet the requirements of the Emisson Standard for Industrial Enterprises Noise at Boundary and achieve emissions as required by the standards.

2) Energy and resource management

Rainmed continues to optimize energy and resource management and complies with laws and regulations such as the Law of the PRC on Energy Conservation. Through measures such as improving energy conservation and emission reduction measures, optimizing systematic water use methods, recycling packaging materials, and improving resource utilization while gradually reducing energy consumption, it is committed to building a resource-saving company.

Energy conservation and emission reduction

Energy utilization and conservation is the core of energy management. The Company has established an energy management leading group to centrally manage and coordinate energyrelated matters, set the energy management target of "rational use of energy, reduction of energy waste, and reduction of energy consumption costs", and formulated the energy management implementation plan in accordance with this goal to ensure the scientific and efficient implementation of energy conservation and emission reduction.

Focusing on its energy management goals, the Company digitally monitors energy-consuming equipment, carries out energy-saving renovation and maintenance of energy-consuming facilities and equipment, strengthens energy conservation and consumption reduction in office areas, and takes various measures to improve energy use efficiency.

Independent metering of large energy-consuming equipment
• Separate meters are installed for large energy-consuming equipment to check the operation and energy consumption of such equipment and to compare and analyze the energy consumption with that of the same period and to make timely adjustments in case of any abnormality, so as to avoid the increase in energy consumption caused by the failure of large energy-consuming equipment.
Strengthen electrical equipment maintenance
• The maintenance of electrical equipment is strengthened for timely maintenance to eliminate the heat caused by poor wire connections and line leakage, save energy while ensuring the safety of power supply.
Reasonably adjust the operation of air conditioning system
• The operation parameters and operation time of the central air conditioners are adjusted according to the outdoor temperature to maintain reasonable control over the inlet and outlet temperatures of the cooling water and chilled water, and to reduce the operating load of the cooling unit to reduce energy consumption; • After the chiller mainframe is shut down, the chilled water recirculation system continues to circulate for 30–60 minutes to improve the efficiency of chilled water usage.
Establish proper equipment operating practices
• Correct and detailed operating instructions are developed for each piece of equipment in each workshop, which can not only extend the service life of the equipment, but also reduce the energy loss and effectively prevent the problems of idling and ”sick use“ of the equipment.
Specify lighting brightness
• Indoor lighting standards and light switch systems are developed for different areas to achieve power savings while meeting the needs of the office.
Reduce standby time of office equipment
• Office equipment such as computers, printers, copiers, and water fountains are turned off when not in use.
Reduce use of elevators
• The Company actively encourages multiple employees to travel together or ”use the stairs to go to the next level up and the next two levels down“, and reduces energy consumption by reducing the use of elevators.

Energy conservation and emission reduction measures

In addition, the Company actively promotes the concept of energy conservation and emission reduction, and places energy conservation and low-carbon promotional materials in office areas to encourage employees to reduce consumption of resources and energy and to raise awareness of energy conservation. The Company also conducts extensive energy conservation training and organizes employees to study laws and regulations such as the Law of the PRC on Energy Conservation, the Law of the PRC on the Promotion of Circular Economy and the Energy Conservation Supervision Regulations as well as the Company's internal energy conservation system. It encourages employees to make reasonable suggestions on energy conservation and emission reduction, and gives honorary recognition and bonus incentives to employees who pay attention to energy conservation in their work or make practical suggestions on energy conservation, so as to mobilize employees to participate in energy conservation and emission reduction and encourage their energy-saving and innovative practices.

Energy-saving signs in the office

Saving water resources

Rainmed is an advocate of water conservation and strives to continuously improve the efficiency of water use throughout its production and office processes. The Company continues to optimize its green production measures and has optimized and upgraded its water usage system during the Year to achieve reuse of concentrated water in production operations. In addition, the Company has installed water-saving faucets in the office to encourage employees to adopt a water-saving lifestyle and actively improve water use and reduce water waste. During the Year, all of the water used by the Company is municipal water, and it has not experienced any issue in sourcing water that is fit for purpose.

Water pipe renovation project
• In the purified water system, the secondary reverse osmosis (RO) concentrated water pipes and electrodeionization (EDI) water purification technology concentrated water pipes are connected to the original tank for continuous use, to achieve concentrated water reuse and annual water savings of approximately 220 tonnes, with a water saving rate of approximately 25%.
Use water-saving faucets
• Sensor-activated or low-flow water-saving faucets are installed in public restrooms to properly control water flow; • Water nozzles are installed at the outlet of water pipes for washing (such as water pipes for washing vehicles and garbage bins) to realize water conservation by turning on and off as needed.
Change the way of drinking water
• Drinking water for offices is centrally boiled to reduce the amount of bottled water used; • The Company provides potable water at conferences, provides water fountains, and encourages attendees to bring their own drinking utensils to consume water as needed.

Water saving measures

Green packaging

The packaging materials used by the Company in production and operation are mainly paper packaging materials, and the Company is committed to promoting the recycling of packaging materials by taking full account of the recyclability of packaging materials. In addition, priority is given to environmentally friendly packaging materials that have passed RoHS certification in order to minimize the negative impact of product packaging materials on the ecological environment.

3) Respond to climate change

Reducing greenhouse gas emissions and actively addressing climate change has become a social consensus. In response to the national goal of "carbon peaking and carbon neutrality", Rainmed actively identifies the risks of climate change and takes diversified initiatives to mitigate the progress of climate change, thereby contributing its own strength to respond to climate change.

The Company has been monitoring climate risks and impacts arising from its production and operations and has identified climate change issues that may have a significant impact on the Company in two areas: physical risks and transition risks. Physical risks include, but are not limited to, the risk of water and power outages or equipment damage due to heavy rains, typhoons and earthquakes, which can impact R&D, production and schedules. Transition risks include, but are not limited to, policy risks related to carbon emissions. During the Reporting Period, the Company has not experienced any significant impact from climate change or extreme weather conditions on its business operations or financial performance.

The Company also adopts a number of initiatives to actively respond to climate change:

Green storage and transportation	• In the warehouse, only 1/3 of the air conditioners are turned on in the winter, and the air conditioning temperature is set at 27°C in the summer; • The Company plans to use new energy vehicles for short-haul logistics.
Green office	• The Company promotes the concept of green office and encourages employees to develop the energy-saving habit of turning off lights when not in use and adjusting the temperature of air conditioners in the office to reduce energy consumption and carbon emissions.

Measures to respond to climate change

IX. SOCIAL RESPONSIBILITY: DEVOTED TO PUBLIC WELFARE AND GIVE BACK TO SOCIETY

Since its inception, Rainmed has been actively involved in social welfare activities, striving to use its influence and resources to bring health and care to the places where it is most needed. The Company has always taken the protection of people's health as its core strategic position and has continued to promote inclusive medical care, while encouraging employees to actively participate in public welfare activities, thus creating a good atmosphere in which everyone cares about and supports public welfare.

1. Inclusive Medical Care

As a listed medical device company, Rainmed actively responds to the outline of the "Healthy China 2030" initiative and pays close attention to people's demand for medical care and the demand for equipment in primary medical institutions. Over the years, it has persistently used its professional strengths to help improve the accessibility and availability of medical equipment products and strive to promote the balance of medical resources.

Develop surgical robots to improve medical care
• The Company is committed to developing the world's leading vascular interventional surgical robot, and will gradually build an "unmanned operating room" in the future to achieve automation and standardization of surgical operations, thereby significantly improving the medical care in small and medium-sized cities, helping to solve the problem of uneven distribution of physicians and patients in China, and providing better medical services for patients with coronary artery disease.
Actively respond to national fiscal policies to promote the homogenization of treatment levels across regions
• As a domestic independent innovation enterprise that has entered the special approval channel of the National Medical Products Administration for innovative medical devices many times, the Company actively responds to the favourable policy of financial subsidies to support hospital loans for medical equipment upgrading, and provides medical institutions at all levels with a safer, more efficient, more convenient and more accurate integrated vascular disease treatment solutions, so as to enable precision medicine to cover the whole process of diagnosis and treatment of vascular diseases, to meet the needs of hospital upgrading and transformation, and to jointly promote the creation of a benign medical ecology.
Establish a medical training center to promote the development of precision medical care
• The Company has established a caFFR training center to train young physicians and technicians who can perform percutaneous coronary intervention (PCI) procedures. It is committed to disseminating the latest academic knowledge and promoting continuing education as a way to improve the level of homogeneity of PCI treatment and the quality of service of hospitals at all levels. The establishment of the training center will contribute to the implementation of caFFR System in hospitals, so that advanced scientific research results can be widely used by physicians and patients to promote public health.

2. Social Welfare

The Company has also undertaken the social responsibilities of a listed company, and is committed to charitable causes. In March 2023, the Company donated a number of sets of coronary fractional flow reserve measurement systems to China Primary Health Care Foundation. The donation will help implement high end coronary accurate diagnosis products into basic hospitals, improve the level of coronary disease diagnosis and treatment in county medical institutions, and enable patients in remote areas to enjoy better diagnosis and treatment services.

Undertaking social responsibility of a listed company

In March 2023, the Company donated a number of sets of coronary fractional flow reserve measurement systems to China Primary Health Care Foundation.

Donation Ceremony Site

In the future, the Company will establish and improve internal donation review procedures in accordance with the Law of the PRC on Public Welfare Donations and other laws and regulations, improve the public welfare system, and effectively fulfill its social responsibilities. In addition, the Company plans to work with its public welfare partners to carry out public welfare activities in areas such as educational support, health care, and cultural development, in order to effectively help groups in need and convey love and warmth.

APPENDIX I: KEY PERFORMANCE INDICATORS IN 2023

Notes to Key Environmental Performance Indicators

ESG indicator	Unit	Value
A1.1 The types of emissions and respective emissions data[1]		
Nitrogen oxide (NOx) emissions	kg	51.01
Sulfur oxide (SOx) emissions	kg	0.12
Particulate matter (PM) emissions	kg	4.89
Volatile organic compounds (VOCs) emissions	kg	70
A1.2 Direct and energy indirect greenhouse gas emissions[2]		
Total greenhouse gas emissions	tonne of carbon dioxide equivalent	964.74
Greenhouse gas emissions (scope 1)	tonne of carbon dioxide equivalent	9.38
Greenhouse gas emissions (scope 2)	tonne of carbon dioxide equivalent	955.36
A1.3 Total hazardous waste generated[3]	tonne	6.05
A1.4 Total non-hazardous waste generated[4]	tonne	12.25
A2.1 Total direct and indirect energy consumption and intensity by type		
Total energy consumption	MWh	1,641.05
Energy consumption intensity	MWh/revenue of RMB1,000	0.02
Direct energy consumption[5]	MWh	75.14
Gasoline consumption	MWh	75.14
Indirect energy consumption	MWh	1,565.91
Electricity consumption	MWh	1,565.91
A2.2 Total water consumption and intensity		
Total water consumption	m^3	4,451.55
Total water consumption intensity	m^3/revenue of RMB1,000	0.06
A2.5 Total packaging material used for finished products[6]	tonne	6.63

Note: For the KPIs for the new production base, as the new production base became operational in August 2022, only five months' data is included in 2022 while full year data is included for 2023.

Description of key environmental performance indicators:

The coverage period of data collected is from January 1, 2023 to December 31, 2023. The environmental data collection covers the entire office and production areas of Rainmed and Beijing Runxin.

1. Volatile organic compounds (VOCs) emissions are primarily generated during the product manufacturing process. Emissions of nitrogen oxides, sulfur oxides and particulate matter are primarily caused by the use of gasoline in company vehicles, with emission factors based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange;

2. Total greenhouse gas emissions include direct greenhouse gas emissions and indirect greenhouse gas emissions. Direct greenhouse gas emissions are primarily caused by the use of gasoline in company vehicles, and indirect greenhouse gas emissions are primarily caused by the use of purchased electricity. The emission factors are based on the Reporting Guidance on Environmental KPIs issued by the Stock Exchange;

3. Hazardous waste is primarily medical waste;

4. Non-hazardous waste is primarily office paper;

5. Direct energy consumption represents the direct consumption caused by the use of gasoline in company vehicles. The direct energy calorific value coefficients are based on the Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Enterprises in Other Industries (for Trial Implementation) issued by the National Development and Reform Commission in 2015;

6. The packaging materials used for finished products are mainly cardboard, plastic and wood products.

Key Social Performance Indicators

ESG indicator		Unit	Value
B1 Employment			
B1.1 Total workforce by gender, employment type, age group and geographical region			
Total number of employees		person	354
By gender	Male	person	209
	Female	person	145
By age group	30 and below	person	148
	31–50	person	204
	Over 50	person	2
By rank	Directors and above	person	18
	Managers and supervisors	person	45
	General employees	person	291
By geographical region	Mainland China	person	342
	Hong Kong, Macau, Taiwan and overseas regions	person	12
Number of employees by educational background	Doctoral degree	person	5
	Master's degree	person	43
	Bachelor's degree	person	181
	Associate degree and below	person	125
B1.2 Employee turnover rate by gender, rank, age group and geographical region			
Total turnover rate		%	55.93
By gender	Male	%	56.46
	Female	%	55.17
By age group	30 and below	%	68.24
	31–50	%	47.06
	Over 50	%	50

ESG indicator		Unit	Value
By rank	Directors and above	%	22.22
	Managers and supervisors	%	33.33
	General employees	%	61.51
By geographical region	Mainland China	%	57.89
	Hong Kong, Macau, Taiwan and overseas regions	%	0
B2 Health and Safety			
B2.1 Number of work-related fatalities			
2023		person	0
2022		person	0
2021		person	0
B2.2 Lost days due to work injury			
Lost days due to work injury		day	0
B2.3 Number of annual employee health check-ups			
2023		person	354
B3 Development and Training			
B3.1 Percentage of employees trained by gender and employment category			
By gender	Male	%	46.47
	Female	%	53.53
By rank	Directors and above	%	4.05
	Managers and supervisors	%	7.17
	General employees	%	88.78

ESG indicator		Unit	Value
B3.2 Average training hours of employees trained by gender and employment category			
By gender	Male	hour	7.93
	Female	hour	13.16
By rank	Directors and above	hour	8.03
	Managers and supervisors	hour	5.68
	General employees	hour	10.87
B5 Supplier Management			
B5.1 Number of suppliers by geographical region			
Geographical region	Overseas	N/A	4
	South China	N/A	10
	East China	N/A	52
	North China	N/A	2
B6 Product Responsibility			
B6.2 Number of products and service related complaints received			
Number of complaints received		times	99
Number of customer complaints handled		times	99
B7 Anti-corruption			
B7.1 Number of concluded legal cases regarding corrupt practices and the outcomes of the cases			
Number of concluded legal cases regarding corrupt practices		case	0
B7.3 Anti-corruption training provided to directors and employees			
Number of persons trained	Directors	person-time	9
	Employees	person-time	429
Number of training hours	Directors	hour	18
	Employees	hour	858

APPENDIX II: CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE BY THE STOCK EXCHANGE

ESG indicator		Disclosure status	Corresponding section
A1 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A1.1	The types of emissions and respective emissions data.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in tonnes and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A1.6	Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development

ESG indicator		Disclosure status	Corresponding section
A2 General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I: Key Environmental Performance Indicators
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I: Key Environmental Performance Indicators
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	Appendix I: Key Environmental Performance Indicators
A3 General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
A4 General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development

ESG indicator		Disclosure status	Corresponding section
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
B1 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B1.1	Total workforce by gender, employment type (for example, full or part time), age group and geographical region.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	Appendix I: Key Social Performance Indicators
B2 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	Appendix I: Key Environmental Performance Indicators
B2.2	Lost days due to work injury.	Disclosed	Appendix I: Key Environmental Performance Indicators
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	VIII. Environment Responsibility: Production Safety and Green Development

ESG indicator		Disclosure status	Corresponding section
B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B4 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	VII. Employee Responsibility: Gather Talents with a People-oriented Mind
B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	VI. Partner Responsibility: Work Together to Make Progress
B5.1	Number of suppliers by geographical region.	Disclosed	VI. Partner Responsibility: Work Together to Make Progress
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	VI. Partner Responsibility: Work Together to Make Progress

ESG indicator		Disclosure status	Corresponding section
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	VI. Partner Responsibility: Work Together to Make Progress
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	VI. Partner Responsibility: Work Together to Make Progress
B6 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Disclosed	IV. Product Responsibility: Innovation-driven, Quality Service
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	IV. Product Responsibility: Innovation-driven, Quality Service
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	IV. Product Responsibility: Innovation-driven, Quality Service
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	V. Operation Responsibility: Compliant Operations, Ethics First
B6.4	Description of quality assurance process and recall procedures.	Disclosed	IV. Product Responsibility: Innovation-driven, Quality Service
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	IV. Product Responsibility: Innovation-driven, Quality Service

ESG indicator		Disclosure status	Corresponding section
B7 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	V. Operation Responsibility: Compliant Operations, Ethics First
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	V. Operation Responsibility: Compliant Operations, Ethics First
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	V. Operation Responsibility: Compliant Operations, Ethics First
B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	V. Operation Responsibility: Compliant Operations, Ethics First
B8 General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	IX. Social Responsibility: Devoted to Public Welfare and Give Back to Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	IX. Social Responsibility: Devoted to Public Welfare and Give Back to Society
B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	IX. Social Responsibility: Devoted to Public Welfare and Give Back to Society

RainMed